VOLUME 7

ROYAL COMMISSION ON COASTING TRADE

Proceedings of 2nd & 3rd days
at Vancouver

Pages 2263 to 2501 incl.

Commencing September 1, 1955

INDEX TO VOLUME VII

INDEX TO EXHIBITS

No.	Page	Description
57	2307	Supplementary brief presented by Union Steamships Limited.
58	2429	Extract from "The Log", a magazine, of June, 1955, Volume 50, No. 6, page 6.
59	2431	List of members of the British Columbia Tow Boat Owners Association.
60	2443	Copy of Rate Book of B.C. Tow Boat Owners Association, dated January 10, 1946.
61	2443	Copy of Rate Book of B.C. Tow Boat Owners Association, dated August 15, 1951.
62	2483	Brief of Straits Towing Limited.
63	2490	Written submission filed by the Labour Progressive Party, British Columbia Provincial Committee.

THURSDAY, SEPTEMBER 1, 1955

Vancouver hearing of the Royal Commission on Coasting Trade, Continued

---Commencing at 10:05 a.m.

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: Mr. Chairman, there was a matter left over from one of the earlier hearings, in connection with the Canadian Ship Owners' Association. Certain information was asked for, and there are certain corrections to the record that it is desired to make, and I thought it would not take very long if we could start with that this morning.

THE CHAIRMAN: I think that would be convenient. Yes, Mr. Fisher?

MR. W. J. FISHER: After reading the testimony from the hearings in Ottawa I found that there were four specific misstatements of fact in addition to a number of errata in the transcription which, with your permission, I would like to make in respect to the information given to the Commission at Ottawa. I have given the Reporter the specific line and page numbers, and I thought, with your permission, that I would just briefly state what the misstatements were.

THE CHAIRMAN: Yes.

MR. FISHER: The first was in answer to a question of yours, Mr. Chairman. You made the

remark "Chartered trade would be trade which is not coastal trade" and I answered "Yes" to that. The correct answer should be "Yes and no. Our vessels can be and are as opportunities offer employed exclusively in coastal service whether on single or consecutive voyage charter or time chartered by a shipper". You then said, "I could take a charter for a voyage from Liverpool". The answer in the transcription of the evidence was "It would not be a voyage, therefore exclusively coastal trade beyond Canada". That is obviously wrong. The answer should be "That would not be a coastal voyage, therefore exclusively trade beyond Canada".

Then in regard to some questions that were asked me by counsel for the Dominion Marine Association, the previous discussion had dwelt almost exclusively on the problem of the transferred ships, that is the Canadian owned ships presently being operated on U. K. registry, and in my answers to his questions I neglected a fact which I should now like to state, that we also have a part of the members of our Association who certainly operate ships under the Canadian flag. The impression is given in the evidence that this Association has no ships under the Canadian flag. The correction is in answer to Mr. Gerity's question, when I answered that all the ships of the members of the Association were under the United Kingdom gflag.

There are to be exact four of these ships still operated under the Canadian flag.

Then Mr. Gerity asked me the question, "Have any of your companies ever built a ship in Canada?". Still thinking of these transferred ships I made the statement "None of our companies have ever built a ship in Canada", whereas the correct statement is that member companies of the Association have spent nearly twenty million dollars building ocean-going vessels in Canadian shipyards. Over fifteen million dollars of this amount came from escrow funds administered by the Canadian Maritime Commission.

The final point is this: Mr. Gerity said "Other than from secondhand ships, then, your Association only owns ships of the Canadian taxpayer?". There again we were dealing with these transferred ships, and the correct answer to that is "Not entirely. Some members have also built new ships or acquired ships built in Canadian shipyards either with their own money or from the proceeds of sale of the vessels which they purchased from the Government".

Now, there is one more point while I am here: There has been a good deal of discussion on the inter-coastal trade, and at the Ottawa hearings I was asked to produce some figures which, as far as we could ascertain, were not available from the official statistics of the Dominion Bureau of Statistics. I have here if

you wish the volume of traffic that has been carried on the inter-coastal service in the last three years, which information has been provided me by the operators.

THE CHAIRMAN: Yes.

MR. FISHER: Eastbound in 1953, 21,000 tons represented by 14 sailings. 1954 eastbound, 19,300 tons representing five sailings. 1955 to date 8,700 tons, and the scheduled sailings for the year it is anticipated will amount to five by the end of the season.

Now, in the westbound movement, the service started late in 1952 and there were 3,700 tons carried from west to east. In 1953 the volume westbound amounted to 32,700, in 1954, 18,500 tons and in 1955, 18,700 tons to date. The principal products carried eastbound are canned goods, lumber and lumber products. The various types of products on each vessel varied between 20 and 25. As regards westbound operations the products carried are much more varied than in the eastbound trade, the principal ones being canned goods, farm products and various types of small manufactured goods, steel products too large to travel by rail, bathroom fixtures, steel rods, bars and wood products. In the case of the westbound service the various types of products carried exceeds 100.

I hope that information may be helpful to the Commission.

THE CHAIRMAN: Are the Saguenay Terminal members of your Association?

MR. FISHER: Yes.

THE CHAIRMAN: You have not mentioned the westbound carriage of their material for Kitimat.

MR. FISHER: That occurred in 1952 and in 1953 and accounts very largely for the 32,700 tons in 1953, as you see, which is very much in excess of the other years.

THE CHAIRMAN: You mean it was not carried in 1954 or 1955?

MR. FISHER: Well, sir, the alumina, their westbound material, is not coastal trade. It originates in Jamaica, and is not included in coastal trade.

THE CHAIRMAN: I thought they carried material from Port Alford round the coast?

MR. FISHER: No, the raw material they use at Kitimat originates in Jamaica.

THE CHAIRMAN: Then I had a misconceptinn as to that. They do not pick up loads of partly processed material at Port Alford to come round with it?

MR. FISHER: Not that I am aware of, but the Saguenay Terminals will be appearing before you in Montreal and no doubt they will be able to tell you that.

THE CHAIRMAN: Yes, I know. At any rate, that is the information you have?

MR. FISHER: Yes.

THE CHAIRMAN: Are there any questions?

Thank you, Mr. Fisher.

MR. MUNDELL: The British Columbia Loggers' Association are next.

THE CHAIRMAN: We have the Annual Report of the British Columbia Lumber Manufacturers' Association. This was not made an exhibit at the time. We are not hearing further evidence from them, are we? I think it should be an exhibit, should it not?

MR. MUNDELL: I am not aware what the document is, Mr. Chairman.

THE CHAIRMAN: It is the Annual Report of the B. C. Lumber Manufacturers' Association. Mr. Andrews gave the evidence yesterday.

MR. MUNDELL: Then, I would think it could have the next exhibit number.

THE CHAIRMAN: Yes, I think so, Exhibit 55.

---EXHIBIT NO. 55: Annual Report of the British Columbia Lumber Manufacturers' Association.

SUBMISSION BY THE BRITISH COLUMBIA LOGGERS ASS'N.

Mr. James C. Sheasgreen, appearing

MR. MUNDELL: Mr. Sheasgreen, is appearing on behalf of the Association.

Q. Have you any opening statement that you wish to make?

A. Mr. Chairman, you have our written brief and we have nothing further to add to that.

THE CHAIRMAN: What is the brief number?

MR. MUNDELL: It is brief No. 59.

MR. SHEASGREEN: Except for this, that in reason number 3 in the presentation of the brief one word was left out in the third last line of the paragraph. It should read "any new restriction" rather than "any restriction". Aside from that we just wish to emphasize we would like to see no change whatsoever under the present laws and regulations governing coastwise shipping.

MR. MUNDELL: Might I ask a few questions to clarify a few things if I can?

A. Yes.

Q. In the first place you state in your brief that you have some 50 companies engaged in logging. Could you furnish the Commission with a list of your members?

A. We could, yes. I could not give it to you right at this moment.

Q. There may be a few things like this which may be left over. I wonder if I could give you a slip of paper so that you may make notes of them?

A. I am having somebody make notes over there.

Q. What is your relationship to the Association?

A. I am a director of B. C. Loggers' Association.

Q. And you are in the logging business yourself, are you?

A. Yes. I am the logging manager for Canada for Crown Zellerbach Canada Limited.

Q. I wonder if you would outline to the Commission in general the operations of a typical member of your Association if that is possible, as a logging company?

A. I do not know if I quite get the drift of that. Do you mean describe a logging operation or method?

Q. May I put it in this way: We have had the lumber manufacturers' Association and other associations and I am just wondering where you fit into the general pattern?

A. Well, the loggers have the task of going into the virgin forest and cuttingthe trees and removing them, normally on the Coast here to tidewater , and then transferring the logs for delivery to sawmills, pulp mills, plywood plants and manufacturing plants.

Q. Would your members process these logs?

A. No, not entirely. Some do and some do not. Some of the member companies are complete units and others are only loggers.

Q. But as members of your Association it is the logging aspect that is represented, is it?

A. That is right.

Q. May I just verify my understanding at this stage. In the main then you are here

representing those people who go into the forest, cut the logs and get them down to tidewater, and in some cases transport them to mills?

A. That is correct.

Q. What part of this operation involves transportation by water in the coasting trade?

A. As we say in our brief here many of these operations are on the Vancouver Island and north as far as 500 or 600 miles, and the transportation of supplies and men must of necessity be done by water.

Q. It is a two-way operation, then?

A. It is a two-way operation, yes. You have to take many tons of supplies in and all these thousands of men, and it is a seasonal operation. In the wintertime we are curtailed for two or three months. The crews all have to come back usually to Vancouver, and they are up and down travelling throughout the year. I should mention that this shipping tie-up we have had on the Coast this summer has made it very difficult for us to keep our crews in the camps. The men are not very anxious to go to work in distant places if they cannot be assured of transportation home.

Q. You have really three types of transportation involved: You have to take the crews up first of all, and that is passenger transportation, is it?

A. Yes.

Q. Then you have package freight up, I

take it?

A. Yes.

Q. And you have bulk down, or logs really?

A. Yes.

Q. How would the logs normally move?

A. Normally by raft, towed in rafts.

Q. That is a towboat operation?

A. Yes.

Q. And then going up there is the package freight?

A. Yes, and the heavy machinery.

Q. The package freight, the heavy machinery and passengers?

A. Yes.

Q. How would you normally send this freight up? Can you give the Commission an idea of how you would send this freight up, and how the men would go up -- on what class of ship?

A. Normally the coastal passenger ships, such as Union Steamships, Canadian Pacific, and so on.

Q. And then the return would be tugboats. Would it be a fair thing to say that so far as the delivery of logs is concerned it is not affected by the British shipping?

A. Do you mean Commonwealth shipping, other than Canadian?

Q. Yes.

A. Yes, I think that would be fair.

Q. It is all done by Canadian registered

towboats?

A. So far as I know.

Q. Then your real interest in this is the up-bound traffic, is that correct? That is the only thing that could affect your costs?

A. I cannot answer that one. I do not know. There is a possibility that a relief of restrictions or a change of restrictions letting outside tugboats in would reduce the rates by increasing the competition. Supposing American tugboats were allowed to operate port to port in British Columbia that would certainly create competition, but we are not asking for that.

Q. In other words---

A. You asked me a question, and I am trying to suppose it.

Q. It is a sort of hypothesis of some kind?

A. Yes.

Q. Then I just wanted to get your position clear. You are for the status quo?

A. Quite.

Q. You accept the status quo; you do not want fewer restrictions and you do not want any more restrictions?

A. That is right.

Q. On the up-bound traffic we will be hearing from Union Steamships today, and what other companies would you employ? Do any of your members charter ships for these purposes?

A. I have a representative from our

company's traffic department; could he answer that?

Q. Certainly.

MR. T. H. WHITSON: What was the question?

MR. MUNDELL: Do any of the members of the B. C. Loggers' Association charter ships for any of their up-bound traffic by water?

MR. WHITSON: No, not that I know of. There are other steamship companies used besides Union Steamships.

MR. MUNDELL: What are they?

MR. WHITSON: The Packers Steamship Company is one. That serves Northern British Columbia; Canadian Pacific Steamships, Tidewater Navigation and the Boom Chain Transportation Company. Those are a few of the companies that I know of.

MR. MUNDELL: And there are others?

MR. WHITSON: I believe there might be one or two other smaller ones, but those are the ones I know of.

MR. SHEASGREEN: The Vancouver Island Transportation Company.

MR. MUNDELL: Q. Now, do you know where these vessels are registered that are used by these companies?

A. I do not know, no. I presume here, but I could not answer that.

Q. You do not really know whether they are British registered or Canadian registered?

A. No.

MR. MUNDELL: Do you know, Mr. Whitson?

MR. WHITSON: I do not know. I would say that they are Canadian registered vessels.

MR. MUNDELL: Q. Now you suggest in your brief that any further restrictions would result in increased cost, owing presumably to the absence of competition by British registered ships. I just do not quite understand how that would happen if they are not in the business now.

A. We are interested in the moving of the end product of our raw material in lumber. If lumber is not moved out of British Columbia, then we do not have to do any logging.

THE CHAIRMAN: Where is it going to be moved?

A. To Europe and the U. K., and to the Eastern Coast.

Q. That is not coastal trade?

A. Well, Eastern Canada.

Q. We have heard how much has been going.

A. We are interested in the movement of our end product, certainly. We felt in discussion that if Commonwealth vessels were barred from the coastal trade we would lose lumber exports to Eastern Canada and to the American interests.

Q. You say you have felt it, but we are trying to find out how that would occur.

A. If a Commonwealth vessel could pick up a shipload of lumber here and take it to Eastern Canada, it is natural to think that probably they would pick up a cargo in United States' ports and take it to Eastern Canada.

Q. Since 1952 there has been 21,000 tons in 1953, 19,300 tons in 1954 and 8,700 tons to date this year, and that includes about 25 different products of which lumber and lumber products are only two, so that there has not been a very considerable movement of inter-coastal lumber traffic, even if it were all carried in United Kingdom vessels, and Mr. Fisher said that some of the ships of his Association are on Canadian registry.

MR. MUNDELL: Q. The Chairman has in part covered what I had in mind, and that was what I was trying to do. I should have explained this earlier possibly: Both Mr. Lajoie and my_self find ourselves in this position, that part of our job is to test your statements. It does not reflect any developed ideas of our own but we must reserve an equality of hostilities towards everybody. You are putting forward the proposition that you will be hurt by restriction, and so far I do not quite see yet where it is going to hurt you in the coasting trade if you do not use any.

A. Again, this is a supposition: Is the St. Lawrence Seaway going to change that inter-coastal trade?

Q. Have you given any study to that?

A. No, I am asking you the question.

THE CHAIRMAN: There are a lot of people asking that question.

MR. MUNDELL: That is the $64 Question that

is asked the Commission, I think, and what we are seeking is assistance on it. Have you any views? Now, you are not concerned, I think, with the ultimate marketing of the finished products; your Association as such is just concerned with getting the raw material to the mill in effect?

A. Yes.

Q. But you are concerned indirectly in that if nothing comes out of the mills then there will be nothing going into the mills; is that right?

A. Quite.

Q. I think probably I have covered this point but I may as well go at it again: You state that any restrictions would have serious implications. Is it just simply on the coasting trade that you are thinking of or have you any other considerations in mind?

A. Certainly with the supplying of the camps with men. If restrictions mean a lessening of passenger boat traffic it would be a serious thing for the up-coast camps. That has been proven this summer.

Q. Then you are fearful of a diminished service as well?

A. Yes.

Q. You do not think that if there were a transitional period that Canadian shipping would develop to fill those gaps, as a matter of private industry not being able to meet it?

A. I am not competent to answer that.

Q. Do you think it would not? In other words is that a consideration that should play a long-term part?

A. You mean the transportation of people?

Q. Would it not be met eventually by alternative services, if the change were made in a smooth transitional way?

A. I suppose it would.

Q. So that it is not really a serious or a significant long-term consideration, if it were made?

A. If it were made, no.

THE CHAIRMAN: But I suppose you say that if the coasting trade were restricted to Canadian built vessels these steamship companies which serve you, if they continue to serve you, would eventually have to do so with higher cost vessels and therefore ask higher rates for the service they give?

A. I would think that would be the answer.

MR. MUNDELL: Q. Would your position on the availability of United Kingdom shipping be fairly put by saying that you feel that the potentiality of the competition by inter-coastal trade may have a good effect from your point of view on railway rates for example?

A. Yes.

Q. Can you give the Commission any idea of what proportion of the value of your logs when

delivered at a mill is represented by the transportation cost?

A. Mr. Whitson has some figures there.

Q. Could you give those?

A. They are not apportioned, but they are in dollars, and one could soon get a proportion out of that. Could we let you have that in a written form at a later date? This is apparently not quite complete enough to present here.

Q. Certainly. It would be very helpful if you could. I do not know whether you are in a position to do this, but possibly some of your members are: Could you give the Commission some idea of the proportion of the value of the finished products that is represented by transportation by water in Canada -- the cost of that?

A. I do not think that the Loggers' Association would have those figures.

Q. If the Commission were trying to arrive at that figure would it have to build it up on the basis of your figures of the proportion or the amount in the logging operation to the mills, and then take it from there from the Lumbermen's Association?

A. I think that would be your only approach.

Q. Well, we have been offered the assistance of the Lumbermen's Association.

A. This of course varies a great deal on the location of the timber stands. For instance it is far more expensive to bring the raw

materials, the logs, down from the Queen Charlotte Islands and Prince Rupert to Vancouver for manufacture than it is from say Ladysmith on Vancouver Island. It would be three or four times more expensive.

Q. Perhaps it would be more helpful if it were broken down into a short haul and a long haul. Would that be too difficult?

A. Maybe a short, a medium and a long, say, the south end of Vancouver Island, the north end of Vancouver Island and the Queen Charlotte Islands.

Q. Would it be possible to show those hauls with the approximate quantities hauled over those distances?

A. I think the Association could probably develop those figures.

Q. I think that would be very helpful. If there is one long haul, the fact that it is a big item would not matter very much if everything else comes under the short hauls, but perhaps you could give us the relative quantities of each?

A. Those costs would have to include the preparation of the logs for transport, because there is a different method ofpreparation for the long-distance transport. I do not know whether that should be put in or not.

THE CHAIRMAN: If it is an integral part of the job of transferring them, I would think so.

MR. MUNDELL: That is preparation solely

because they are going to be transported?

A. This long distance.

Q. Then I would think that would be a proper item to include.

A. The preparation of logs for transport in the Queen Charlotte Islands area is about three times as much for the lower coast area.

Q. Then, one other thing: Would it be possible to give some idea of the quantities of supplies that move over the short, medium and long range routes north, or out?

A. It could be explored. I would not guarantee that it could be given.

Q. The rates, I take it, would be available?

A. Yes, the rates would be available.

Q. As a matter of fact, any additional information that you with your much superior knowledge of the industry could give to the Commission that would indicate just how significant transportation costs by coastal waters in Canada are in regard to the costs in your industry, anything showing the significance, would be of the greatest assistance to the Commission.

A. Well, we have developed some figures just from memory: Since 1940 the cost of transporting freight and supplies to the camps has increased the actual cost of logging about five per cent.

Q. Just the outbound supplies?

A. Yes.

Q. I think that if you could demonstrate that and let the Commission have the figures demonstrating it, that would be of assistance.

A. Yes.

Q. I forgot to ask you one question at the beginning: Do any of your members operate their own tugs? I suppose it could only be tugs or other vessels servicing their own camps?

A. Tugs and barges -- log-carrying barges.

Q. But not up-bound or outbound vessels?

A. No. You mean carrying freight?

Q. Yes.

A. No, not to my knowledge.

Q. In any event, as regards the tugs and barges, those would be of Canadian registry, so they would not be affected by restriction?

A. That is true.

Q. How significant to the industry is the operation of these tugs and barges by your members? Is it a large part?

A. I do not know how much it is. I think in ships it is awfully few compared to the tugboat figures on the Coast.

Q. Would it be fair to say that you are in general -- that is, the members of your Association -- serviced by tugs and barges not owned by them?

A. Even those who own tugboats are serviced by tugboat operators as well. I do not

think any company has sufficient power to handle all their towing. I do not think any member company here has a sufficient tugboat fleet to handle all their towing. Outside help has to be obtained, year-round help.

Q. I take it that if the Commission came to the conclusion that the submissions of the shipbuilding industry, that they are in a serious condition of decline, should be accepted by the Commission, and if the further submission that something should be done to assist the shipbuilding industry were also accepted, you are opposed to restrictions but what would your views be on other forms of assistance such as, for example, subsidy?

A. Well, I do not know whether I could express the views of the Loggers' Association. Their views would be so diverse among their members that I do not know.

Q. Your Association's stand is against restrictions, but supposing there are alternative methods that would not affect your costs would they have any views as an Association?

A. In discussion we have felt that if it is a necessary part of national defence to keep the shipyards alive, there should be a subsidy rather than restrictions.

Q. Why is that?

A. Well, we feel it is a burden that should be borne by the country as a whole rather than a group of some people that live on the Coast

only.

Q. We have heard the lumbermen on this, but you feel that any increase in the cost would seriously affect your industry -- any increase that might be brought about by restrictions?

A. Again, that would have to be hypothetical. Supposing that it cost twice as much to built a tugboat in a British Columbia yard, or a Canadian yard referring to British Columbia, than one could be acquired from an American yard, it is natural to presume there would be a higher cost of operating, with the depreciation allowance.

Q. But any such increase in your costs you feel would have a serious effect on your business?

A. Any increase has a serious effect. Costs are high now.

THE CHAIRMAN: The cost of a new tug in an American yard would probably much exceed the Canadian cost. You are getting used tugs, surplus tugs, and any other industry faced with the proposition of a country dumping its surplus into Canada is clamorous for anti-dumping duties, and often with a great deal of success. Now, is not that exactly the position of the tugboat owners in British Columbia? They are getting American surplus dumped into Canada at a slight cost?

A. I cannot answer for the tugboat owners.

Q. But you are the man who wants the tugboat owners to continue to have an opportunity to do it?

A. You are referring to the importation of used equipment?

Q. That is what I thought you mentioned a moment ago. Other than that you certainly would not be able to get any equipment from the United States and pay duty on it that would come close to meeting the cost in Canada. You could get a tug built in Victoria or Vancouver a lot more cheaply than you could order one in Washington, could you not?

A. I do not know anyone who has had new tugs recently, that is new to the British Columbia coast shipping.

Q. I suggest that there would not be any new tugs built in the States, because that has been quoted to us as being the world's highest example of shipbuilding costs. What they are getting are these semi-obsolete war surplus propositions.

A. Well, is there any general harm to an import of that type? I do not think so.

Q. Perhaps some of the B. C. member shipyards would disagree strongly with that.

A. Probably.

MR. MUNDELL: Q. One final matter. You have stated in your brief that to bar vessels built or registered in Commonwealth countries will cut down the availability of dollars to these

countries to buy Canadian products. Does that arise out of the operations of your industry, or is this a general proposition? What I mean is so far as I can see your industry does not use any Sterling area shipping, consequently this argument cannot be based on your own operations?

A. No. It is the end product of our operations.

Q. Then have you figures at all to show how significant the dollar earnings of the Sterling area are arising from the transportation of your end product?

A. Well, any figures that would be presented by the Loggers' Association would necessarily come from some other Association and probably would be duplicated.

Q. I just wondered. The argument is put forward in your brief and I just wondered how far you were able to substantiate it.

A. No. We would have that from other associations.

MR. MUNDELL: I think those are all the questions I have to ask.

MR. WRIGHT: Mr. Sheasgreen, to what extent are aircraft used in the transportation of men and goods to and from the logging camps now?

A. Percentagewise I could not say, Mr. Wright. They are used considerably in the summer, but practically none in the wintertime.

Q. Some of the companies have their own

[illegible] market products. Was that [illegible]
[illegible] of [illegible] in your industry, or is this
[illegible] additional [illegible] I mean to [illegible] as I
[illegible] your industry [illegible] at your [illegible] areas
[illegible], [illegible] the argument cannot be based
[illegible] our own operations?

. No. It is the end product of our operations.

. Then have you figures at all to show how significant the dollar amounts of the storing area are resulting from the transportation of your end products?

. Well, any [illegible] that would be presented by the Longshore Association would necessarily come from some other [illegible] and probably would be duplicated.

. I just wondered. The argument is put [illegible] in your brief and I just wondered how far you were able to substantiate it.

. No. We would have that from other associations.

. DUNKLE: I think those are all the questions I've to ask.

. BUCHT: [illegible] The answer, to what extent [illegible] used in the transportation of men and [illegible] from the loading areas now [illegible]

. [illegible] I would not say.

. [illegible] used [illegible] in the [illegible], [illegible] in the waterfront.

[illegible] of the [illegible] have [illegible]

aircraft, have they not?

A. I think so, yes.

Q. Has the extension of the roads on Vancouver Island and the mainland had any effect during the last fifteen years on the pattern of transporting men in and out of logging camps?

A. Oh, in the last fifteen years?

Q. Yes.

A. I do not think too much in the last fifteen years on Vancouver Island, no. There is only one area that might have been affected, and that would be in the Sayward district north of Campbell River.

Q. What about Port Renfrew?

A. Yes, that is another area. I had overlooked that. No doubt the traffic there goes through Nanaimo and Victoria.

Q. Rather than going around by ship as it used to do before the road was constructed from Cowichan Lake into Port Renfew?

A. Yes, I am sure that is right.

Q. Are the roads on Vancouver Island gradually being extended?

A. Yes, I think so.

Q. That is true on the west coast and the north?

A. I do not know to what extent on the west coast very far north of Alberni. I think not much, and I do not anticipate for a good many years any extension beyond Kelsey Bay on the

east coast.

Q. There has been an extension in recent years from Campbell River to Kelsey Bay?

A. Yes.

MR. MERRITT: Q. Your industry, depending on export, you are naturally and in principle against any restriction whatever on your ability to sell in world markets; is not that so?

A. Yes.

Q. And if you hear of any possibility of restriction your first reaction is in principle against it; is not that so?

A. That is correct.

Q. In fact the objections that your Association puts up in this brief are objections in principle only, are they not?

A. Yes.

Q. Where you say that any further curtailment would seriously affect your ability to produce -- that is in sub-paragraph 4; do you see that?

A. Yes.

Q. You really mean "We fear that any further curtailment might seriously affect...". Is not that true?

A. A further curtailment of service this summer has seriously affected log production.

Q. But this is a further curtailment over the existing one in that paragraph?

A. What I am referring to is the

present strike, which has indicated that it has certainly curtailed our ability to produce logs.

Q. But taking the same statement in the previous paragraph, then you see in the last sentence again "Any restriction upon ships permitted to engage in this work must either impair the service or increase the cost". Do you see that? It is the last sentence of paragraph 3.

A. Where I added the words "any new restriction"?

Q. Yes.

A. That was the word that was left out, and that should have been in there. In other words, the status quo looks all right to us.

Q. I am referring you to the word "must". Do you see that?

A. Yes.

Q. Now would it not be more strictly correct to say "We fear that any restriction etcetera may either impair the service or increase the cost".

A. I suppose you are right.

THE CHAIRMAN: You can imagine a case where some person who had a competitor, losing that competitor who was not replaced by another, nevertheless did not demand any increase in price. Is that what you are saying? You can imagine it, but you have to stretch your imagination to do it; is that right?

A. Yes.

MR. MERRITT: Q. In paragraph 4 with respect

to the boat service you say in the first sentence "The boat service on this Coast available for the transportation of men and supplies has been very definitely curtailed in recent years". Do you see that?

A. Yes.

Q. That was a curtailment, I take it, in the C. P. R. Coastal Fleet and the Union Steamships' Coastal Fleet principally; that is what you are referring to?

A. Yes, principally.

Q. All those shipswere of Canadian register, all the ships that have been disposed of?

A. So far as I know.

Q. Have they been replaced by other Commonwealth ships?

A. No, not to my knowledge.

Q. Yet you think that the present service is actually inadequate for the transportation of your men and supplies to the camps?

A. Yes, at present, it is.

Q. And no Commonwealth company with non-Canadian registered ships has come in to fill that gap?

A. No.

COMMISSIONER WICKWIRE: Q. You mentioned earlier in your examination that the logs normally move by raft, and then later on in your examination you started to talk about tugs and barges.

A. Well, when I say normally, there are

some logs moved in very rough water by barge, where a raft would not stand up to the sea.

Q. That is just the explanation that I want, because I do not understand these things, and if you would explain, I would be glad.

A. There are two or three kinds of rafts and I will describe a raft, if I may. A raft for deep sea towing is known as a Davis raft, and it has a large volume of logs in it, probably two and a half to three million feet. It is made in the shape of a huge cigar. If you take a bunch of wooden matches in your hand, and roll them up like that, you would have the end view of a Davis raft approximately, except that the ends are tapered a little bit so that they will ride the waves better. They are very expensive to build and they are not used on the inland waters of the coast here from the northern end of Vancouver Island to Vancouver, but they are used from the Queen Charlotte Islands across Hecate Strait and across the Queen Charlotte Sound, which is practically the open Pacific, and even then there are many times when their transport has to be delayed for two or three months in order to get satisfactory weather for towing, to avoid loss. But there has been recently developed a barge for carrying logs.

Q. Yes, we have seen them.

A. And they are used in those rough

waters.

Q. Does the distance which a Davis Raft is towed have anything to do with whether you would use a raft or a barge?

A. It is a comparatively new thing. I think that in addition to distance and the danger of loss to an ordinary Davis raft you also have this time factor in which logs left in the salt water are badly damaged by teredos. If they can be moved immediately the saving there could amount to a very large sum, and that would be the prime reason for using the barges.

COMMISSIONER WICKWIRE: Thank you.

MR. MUNDELL: Q. You mentioned two or three sorts of rafts, but you have only described one?

A. Another method is to stow the logs like that table, and the outside of the table is composed of strings of logs tied together with chains. Then there would be maybe ten logs down each side of the raft tied with a chain, and you fill up the intervening space between the outsides with logs tightly stowed like your fingers, and then put cross logs known as "swifters" to hold the side sticks together, and they are towed in that manner in the inland waters of the coast here.

Q. What is the quantity of logs carried by the new type barge? Do you know?

A. I would not think more than 50 or 60 million feet a year.

Q. I mean per barge?

A. The bigger ones handle more than a million feet. My company operates some barges and we handle about 750,000.

THE CHAIRMAN: Q. You say your company operates barges. Do you charter barges?

A. No, my company operates a tugboat and barge system.

Q. Would you own some of these barges?

A. Yes.

Q. Are they of the self-unloading type?

A. No, they are not. The logs are loaded inside.

COMMISSIONER WICKWIRE: Q. Has there been sufficient development of the movement by barge to compare costs with the normal method?

A. Not as yet, I think.

THE CHAIRMAN: Thank you very much.

SUBMISSION BY MANSON'S LANDING COMMUNITY ACTIVITIES COMMITTEE

Mr. Elton A. Anderson, appearing.

MR. MUNDELL: Then, the next one that we propose to call is Mr. Anderson representing the Manson's Landing Community Activities Committee. This is a new brief which does not appear in the printed briefs, and I believe you have copies.

THE CHAIRMAN: Again, inspite of the fact that it is not in the printed briefs the Commission have read it and I see no purpose in reading the

brief, but since it is not in the mimeographed copy, I think it should be given an exhibit number.

MR. MUNDELL: It is very short. I do not know what Mr. Anderson was proposing in the way of presentation. You were just going to comment upon it, were you, Mr. Anderson?

MR. ANDERSON: I would like just to read it. It is only a page and a half:

THE CHAIRMAN: Very well read it, and then we shall not have to mark it.

MR. ANDERSON: It is fairly short. We have kept most of the argument out of it in order to keep it short.

"To the Royal Commission on Coasting "Trade:

"Gentlemen:

"This brief is presented by the "Manson's Landing Community Activities "Committee, an elected group representing "some 450 people resident on the southern "half of Cortes Island, situated some 100 "miles north and west of Vancouver in "the Strait of Georgia. Our organization "has been in existence for a number of "years and concerns itself with matters "of general community interest.

"The main purpose of this brief "is to bring to the attention of this "Commission the need to place the coastal "freight and passenger services under the

"control of some regulatory body analagous "to the Board of Transport Commissioners "or the Public Utilities Commission.

"Prior to 1945 this island and others "in adjacent waters were served by the "Union Steamship Company, and the service "was, in the main, satisfactory. Following "World War II a number of small companies "entered the field of freight and passenger "service to this area, and the Union Steamship "Company subsequently withdrew.

"Out of this situation has risen the "present confusion in freight and passenger "services and costs. At present there "seems to be little or no stability in "these services. Rates and schedules "are subject to arbitrary change without "notice. Freight delivery is unsatisfactory, "with no certainty of delivery of goods on "definite dates. Passenger accommodation "is unsatisfactory, with passengers sometimes "forced to stand either because of over-"crowding or because passenger space is "loaded with freight, mail, and baggage. "Passenger boats have even been known to "leave passengers behind because they "have left port ahead of schedule. It is "almost impossible to calculate with any "accuracy the freight charges on an item "because there seems to be no basic stable

"rate. Passenger service to this community
"is suspended at the end of the summer,
"forcing us to drive to another community.
"At times we have even been in doubt as to
"whether we would continue to have a boat
"service at all. In the past this island
"has supported an economy of mixed
"poultry, and fruit farming. Present rates
"and conditionsin freight services have
"virtually wiped out these activities.

"On several occasions in the past two
"years our organization has appealed to various
"government agencies, both Federal and
"Provincial, including the Department of
"Transport, the Board of Transport Commissioners,
"and the Provincial Department of Public Works
"concerning the shipping service. In
"each case those contacted have expressed
"themselves as having no authority to deal
"with the coastal shipping service.

"This organization therefore wishes
"to submit to the Commission that it is
"urgent that some form of control be
"established to regulate this shipping
"service and to give to the people of this
"coast the protection that is afforded to
"users of other forms of transportation
"in other parts of the country. While we
"realize that a changing economy has
"created difficulties for these transportation

transportation

"companies, we feel that this makes it even "more imperative that the situation be "thoroughly investigated and steps taken to "provide regulation."

May I summarize two or three examples of freight rates from this clipping and afterwards place it in evidence?

MR. MUNDELL: What is the clipping, Mr. Anderson?

A. This clipping is a report of a speech as given in the "Campbell River Courier" a weekly paper in Campbell River, issued on Wednesday, August 3rd, 1955. I have checked this against Hansard and it is correctly given with the exception of two trifling typographical errors. It is word for word and there are no omissions.

Q. Who made the speech?

A. The speech is that of Mr. Barnett, M. P. for our constituency.

THE CHAIRMAN: Well, of course, this is a submission and the normal rules of evidence do not apply. You will understand that there is very little weight given to a speech made where there is no opportunity for counsel to cross-examine upon it. Mr. Barnett might have been mistaken in his statements. I am not refusing to have this filed, but the weight is not that which can be given to witnesses giving evidence of their own knowledge.

A. Well, perhaps, Mr. Chairman, I might confine myself to a couple of examples of which I have personal knowledge.

Q. That is much better.

A. Very well. Mr. Barnett in his speech quoted from a letter from a constituent of his. He does not give the name but however, I know the man, and the man was Mr. K. Hanson. The letter is as follows. It was addressed to Mr. Barnett, and it reads as follows:

Dear Sir,

"We are very concerned about the "soaring prices of our up-coast freight "rates. These extremely high rates are "eliminating all sources of income to "the residents of the coast and are "crippling the summer resorts, stores, "machine shops, poultrymen, farmers, "etc. People here can't afford to pay "the extra cost the freight has added "to home industry. It has always been "said that water is the cheapest freight "transportation known yet the rail freight "over the mountains on grain costs us "$5.00 per ton and to bring a ton 100 "miles by water up-coast costs us $20.05, "as you can see by the enclosed letter "written to Mrs. Rexford. Also enclosed "are three freight bills on the same "refrigeration unit." -- I do not know

whether I should give that one, but there were three varying charges on that.

I think, if you do not mind, I will proceed with the rest of the example. The letter addressed to Mrs. Rexford, which was referred to in this communication, was from the United Milling and Grain Company Limited of Vancouver, British Columbia, and it reads as follows:

"Dear Mrs. Rexford,

"We received your letter this morning "regarding the debit note that has been "sent to you covering an undercharge on "freight. On checking back we found "that the Tidewater Shipping Compayy had "charged us $20.05 on your shipment on "Invoice No. 81831. I phoned them to see "if they had made an error and they "informed me that the freight had increased "to Manson's Landing by 33 1/3 per cent "on January 17th, which makes the rate "$20.05 per ton instead of $15.05 formerly.

"We hope this explains the situation "to your satisfaction."

That was quite a little increase.

MR. MUNDELL: I suppose that Mr. Anderson could file that clipping as being in the nature of an expression of his own views, for what it is worth?

THE CHAIRMAN: I have no objection. That will be Exhibit 56.

---EXHIBIT NO. 56: Extract from "The Campbell River Courier" dated Wednesday, August 3rd, 1955.

MR. MUNDELL: This is the clipping previously identified?

A. Yes. I do not wish to read any more from it.

Q. I thought that if this was an expression of your views---

A. Yes. It is quite long.

Q. If this extract expresses your views then you can say "I adopt that" and file it as an exhibit.

A. I might go further and say it expresses the views of the executive of our Association. We were a little in doubt about writing a long brief, so with this clipping we proposed to try and put it in evidence. It expresses our views. I believe I am right in saying it expresses our views on the whole subject -- the whole clipping -- and I would like to place it in evidence. I think that will save a little time. That is all I have to say.

Q. May I ask you one or two questions?

A. Yes.

Q. Your problem as I understand it and as explained in the extract you filed is that the service has got chaotic and expensive?

A. It is expensive. It has been very chaotic in the past but at present I would not say it is too bad.

Q. There is a regularity in it now, is there, or a dependability?

A. There is fair dependability but in the past it has been very bad, and it has happened so often in the past that we are quite certain that we will end up in the same boat again.

Q. Now, on the side of irregularity and undependability you have suggested regulation, I take it, for that purpose, or is it to meet both irregularity and cost that you feel that there should be regulation?

A. I believe there should be some control over cost possibly. At least I believe there should be a regulatory body to which, if we feel that costs are excessive, we can appeal, and also on the score that services may multiply.

Q. That would be on the side of unnecessary duplication?

A. Yes, and excessive competition.

Q. Now, have you any information that would indicate that these freight rates that you find so high are exorbitant in the sense of being too profitable for the operators -- unreasonably so?

A. No, I would not attempt to maintain that.

Q. You think they are fair in relation to the costs?

A. I would not want to say that but I do believe they might be fair. It may well cost

the steamship companies as much as they are charging.

THE CHAIRMAN: Supposing the regulation came into effect. I presume you will agree with me that the rates would have to be fixed by this regulating body, to measure up as against costs. Suppose they fix a rate not of $20.05 but of $30.05, would you like that regulation?

A. No, sir, I would not.

MR. MUNDELL: Q. Would you feel that you aught to be able to raise the reasonableness of the rates to some body. Is that your point?

A. Yes, sir, I believe so.

Q. Then regulation would also bring with it, I suppose, the licensing provisions of the Transport Act so that you could control the number of people operating in those waters?

A. Control the number of ships?

Q. The number of lines, let us say?

A. Yes, I imagine it would. I think that might be a good thing too.

Q. That would decrease competition, of course, but then I suppose you say the regulation would take care of that. Now have you considered the problem of subsidy. If the costs are excessive have you taken the problem of a subsidy up with anybody in Ottawa, let us say the Director of Steamship Subsidies in the Canadian Maritime Commission?

A. We have taken that up in the past

particularly in regard to mail. We used to have a twice weekly mail service 50 years ago, I believe, and even when I first lived up on the Island in 1946 we had a twice weekly mail service. Since then we have at times, and most of the time, only had a once a week mail service. I believe it is exactly 110 miles from Vancouver, and it seems extraordinary to me, but we only get a once a week mail service yet.

Q. You took up the question of a subsidy and what was the result?

A. None whatever. We were put off to various bodies I believe but I am not sure now; I cannot recollect.

Q. In any event if the Commission wished to consult the Director of Steamship Subsidies, or somebody in that Department in Ottawa, they would have information on the subject as to whether you applied and so on?

A. I believe they would. I could not be certain that that was the body to whom we applied. It might have been the Department of Transport.

Q. I think probably as a result of an internal reorganization in the Government it might have been transferred, and it might now be the Maritime Commission.

A. There was some correspondence with Mr. Barnett on the matter and I believe he advised us to whom we should address it.

Q. But from what you said a moment ago, not knowing whether the rates are reasonable or unreasonable, you would not be able to say whether it would be a costly subsidy or a small subsidy or anything?

A. No, I could not say for certain, but I believe quite a small subsidy might be of great assistance in maintaining a better service.

Q. Who renders the service now?

A. Tidewater Shipping. There is a point there. There are four ports on our island. Manson's Landing and Squirrel Cove are served by Tidewater Shipping, and Mr. New's Company, I believe it is -- the vessel is the "Patsco" anyway -- serves Squirrel Cove and Cortes Bay, and she does come in to Manson's Landing sometimes if freight offers.

Q. Are they on regular runs?

A. The Tidewater shipping is a regular run and the "Patsco" is a regular run too, although the "Patsco" may make additional calls if freight offers.

Q. Did you say once a week?

A. Most of the services are once a week. At Squirrel Cove I believe they have two or three services a week, and I might mention that at Manson's Landing we have a passenger vessel down on Wednesdays, which is additional. However, she does not call coming up and she does not carry mail.

Q. What vessel is that? What line is it?

A. That is the Tidewater Shipping, or Tidewater Marine, I believe it is. May I mention a further matter?

Q. Certainly.

A. Mr. Barnett in that clipping goes into the question of the changing shipping conditions on the coast, taking into consideration the aircraft and the trend to a ferry service type of service, and we feel that that might be taken into consideration by this Commission. He mentions the trend away from the traditional type of steamer wharf to a ferry type of wharf for accommodating a ferry service.

Q. You mentioned aircraft a moment ago?

A. Aircraft have a very considerable effect on our transportation.

Q. You have air services?

A. It is Class C, I believe, a non-scheduled service, maintained by Q. C. A., Queen Charlotte Airlines. They make pickups with very set times, and take you down to Comox where you take the regularly scheduled service to Vancouver. It is of very great assistance. We are also well served by B. C. Airlines from Campbell River, a charter service. I wish to make no attempt to minimize the aircraft's contribution there; it is very great, but I think it might be admitted that the aircraft actually are the root cause of the steamships' troubles in this area. They have

cut tremendously into the revenues of the passenger traffic shipments.

Q. In other words it may be that the situation is arriving at the point where water transport may be becoming unprofitable except at enormous rates?

A. That is certainly true to some extent.

Q. And it might be that a subsidy is what you require rather than regulation, might it not?

A. It might very well be.

Q. Anything at all would be satisfactory?

A. We did not think it advisable to take that up at this time.

THE CHAIRMAN: Thank you, Mr. Anderson.

MR. GERIN-LAJOIE: Would this be an appropriate moment for a recess, Mr. Chairman?

THE CHAIRMAN: Yes.

---Whereupon the hearing recessed at 11:20 a.m.

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---Upon resuming at 11:30 a.m.

MR. GERIN-LAJOIE: The Union Steamships Limited will now appear before your Commission and they will be represented by Mr. Ellis. I understand from Mr. Ellis this morning that his company is now filing with the Commission an additional breif which they call a supplementary brief, I think it should be filed as an exhibit, and Mr. Ellis will just give an outline of it verbally.

SUBMISSION OF UNION STEAMSHIPS LIMITED

Mr. John F. Ellis appearing.

EXHIBIT NO. 57: Supplementary brief presented by Union Steamships Limited.

THE CHAIRMAN: Yes, Mr. Ellis?

MR. GERIN-LAJOIE: Will you start, Mr. Ellis, by telling the Commission your initials and complete name and the position with the Union Steamships please?

MR. J. F. ELLIS: Mr. Chairman, Members of the Commission. My name is John F. Ellis and I am general manager of the Union Steamships Limited.

This supplemental brief is in three sections. The first section is making some slight corrections regarding statements made concerning our company in other briefs and it is in order to keep the record straight that I have made these comments. They are somewhat minor in nature and therefore I do not think it necessary to deal with them.

The second statement of this supplemental brief consists of comments on the Canadian Pacific Railway brief and the Canadian National Steamships' brief.

In general, these two briefs recommend the licensing and rate regulating provisions of parts 1, 2 and 3 of the Transport Act be extended to include all ships engaged in the coasting trade of Canada.

Our submission is that that is neither practicable nor in the interest of the Steamship Companies engaged in the coasting trade in British Columbia waters to attempt to regulate freight rates on this coast.

We have had much increasing competition from towboat operators who are transporting more and more large quantity shipments. The towboat companies very often handle a great deal of the cargo which in the past has formed the basis of the coastwise steamship freight carriage. Due to the fact that the towboat companies' rate structures are completely different from the coastwise steamship companies and are predicated on many different factors that do not enter the picture with the steamship companies, it makes the competition such that in quoting on large movements of goods the steamship companies must have freedom of action and must be able to act on very short notice. If regulations were in effect that ability would be impaired and more business than ever would go towards tug-

boat companies.

I further submit that due to the great difference in the manner in which the rates are assessed by the two groups, where conditions involved in towing barges which has a bearing and a very serious bearing on the manner in which they assess their rates, would make it virtually impossible to arrive at any logical basis whereby the rates could be controlled.

We have no objection to the regulating of passenger fares provided that the airline companies are also regulated. We have no objection to the licensing provisions of these parts of the Transport Act.

One basic matter dealt with by most of the briefs is the question of restricting trade to ships (a) built in Canada, (b) registered in Canada and (c) owned by Canadian citizens, (d) manned by Canadian citizens.

We favour the restriction of the coastal trade to vessels registered in Canada, vessels owned by Canadian citizens, or if the owner is a body corporate subject to the requirement that 75 per cent of the shares of the body corporate be owned by Canadian citizens and the requirement that all officers or directors of the body corporate be Canadian citizens, that is similar to the regulations in effect in the United States of America covering vessels in the trade. We also favour the requirement that vessels be manned by residents of Canada as opposed to Canadian

citizens where that does not conflict with existing legislation.

We are strongly opposed to the coastal trade being restricted to vessels built in Canada. We are opposed to that because such restriction would further handicap the coastwise companies and it would cause us to have to be involved in the question of higher freight rates and passenger fares which would also tend to drive the business to other means of transportation. Thus the end effect would be of that restriction to penalize one industry in favour of another industry.

We respectfully submit that if it is deemed desirable to protect and maintain the shipbuilding industry it should not be done by the restrictions to vessels built in Canada but should be done by the payment of a construction differential subsidy for every ship constructed in Canada, which would tend to stabilize the shipbuilding industry and further that the shipbuilding industry should be subsidized by a direct subsidy to take care of periods when vessel construction is at a low ebb. In that way Canada and Canadian citizens as a whole would then be subsidizing the industry and not other industries being penalized in the interests of the one industry.

The third section of the supplemental brief deals with labour legislation. It is rather lengthy and I will comment on it briefly, with your permission. Your Commission is aware

of the fact of the very difficult strike that our company has been experiencing since July 3rd. Our submission is that more means of expediting settlement of strikes, and the determination of legal positions during strikes be considered in an amendment of our industrial relations and disputes Investigation Act.

THE CHAIRMAN: Now, we go far afield, but surely, Mr. Mundell, we are too far afield in dealing with this topic. I cannot find where it is within our Terms of Reference at all.

MR. MUNDELL: Well, Mr. Chairman, I thought that the question of relevance might be considered at a later date actually.

THE CHAIRMAN: I agree with that when there would appear to be any question of relevance or any question of any possible relevance and I agree with you if there is an inferential effect; for instance, the questions of international trade and coastal trade being interwoven but I see no reference to us of any labour legislation, even labour legislation in reference to the shipbuilding trade.

MR. MUNDELL: There is included in the Terms of Reference, Mr. Chairman, the words "upon any relevant matters which may in the course of the Inquiry arise or develop".

THE CHAIRMAN: I suppose in view of those words -- you realize that if they are taken at their face value we could well sit for the next

fifteen years. I suppose that matter may go in and if we are of the opinion that it is not relevant to our Report it might be referred to the proper department.

MR. MUNDELL: I had thought that may be the course, yes. It is very difficult for the Commission to make up its mind till it has heard the evidence, whether there may be some relevancy in it. It certainly does not appear to have any direct relevancy.

THE CHAIRMAN: Proceed, Mr. Ellis.

MR. ELLIS: I will be very brief, Mr. Chairman. The point or principle in raising this question is one which I feel has a very strong bearing on the stabilization of the coastwise shipping industry, including a large loss of money to the men, hardships to the other isolated places along the British Columbia Coast and a severe loss of earnings to the steamship company and the recommendations made are pointing out where improvements may be made in labour legislation along the lines of certain clauses which are presently in the British Columbia Act which would tend to cause a quicker solving of any strike or tie-up.

With that I will cease dealing with the supplemental brief and answer any questions you may wish to put to me.

MR. GERIN-LAJOIE: Q. Mr. Ellis, would you tell the Commission whether your company is

a subsidiary of any other company in Canada?

A. The Union Steamships Limited is a wholly owned subsidiary of the Union Steamships Company of British Columbia and no other company has any financial interest other than the parent company. That is dealt with in the supplemental brief.

Q. I understand from your statement that the company you just mentioned, that is the Union Steamship Company of British Columbia ---

A. That is the parent company, yes.

Q. Is itself owned by the Canadian Pacific Railway?

A. No, the Canadian Pacific Railway has no financial interest in it whatsoever.

THE CHAIRMAN: Q. In the Union Steamships of British Columbia?

A. That is right. It is wholly owned by British Columbia business men.

Q. How long as that been so?

A. These last three weeks or a month.

MR. GERIN-LAJOIE: Q. To your knowledge has the Union Steamship Company of British Columbia any other subsidiary or parent company?

A. It has no other parent company. It has, I believe, two other subsidiary companies and the Union Steamships Limited has a subsidiary company which is now dormant from an operational standpoint.

Q. Is it a shipping company?

A. It was the Frank Waterhouse of Canada Limited whose operations were taken over wholly by the Union Steamships as of January 1st, 1955.

Q. Can you give the Commission a general picture of the pattern of water transportation on the British Columbia Coast as regards package cargo, bulk cargo and also passenger transportation? I mean by that which your companies are operating, what type of vessels they have?

A. The major operation of passenger carrying on the B. C. Coast is operated by the B. C. Coast Steamship Service of the Canadian Pacific Railway and the Canadian National Steamships. The Union Steamships Limited, Tidewater Shipping Company, in a much smaller way. There are other small vessels operating but I just cannot recall the name.

Q. When you say "passenger" do you mean exclusively passenger or partly passenger or partly cargo?

A. Practically all of the companies I have mentioned are combination passenger-cargo ships.

Q. Are there other companies operating any other cargo transportation?

A. We have approximately half of our fleet are exclusively cargo ships. The Northland Navigation Company is exclusively cargo. The Tidewater Shipping Company has some small cargo vessels and Packers Steamship Company are exclusively cargo.

Q. Now, would you tell the Commission whether these lines all operate on the same routes or not?

A. There is an overlapping. Some of the Canadian Pacific Railway passenger service to some extent but not completely parallels our lines. We call at many more points of call than most of the other companies. In so far as cargo ships are concerned the Northland Navigation Company serves the same ports we do as does the Packers Steamship Company. The Packers Steamship call at -- their service under normal conditions is restricted to certain ports of call whereas we call at any port where business offers.

Q. The other companies you have just mentioned are they operating as much north as your company does?

A. The other cargo -- the strictly cargo shipping companies do not. The Canadian Pacific Railway does. Most of the smaller companies do not go as far north as we do. The Tidewater Shipping Company is within a fairly close radius from Vancouver.

Q. Does your company operate on both sides of Vancouver Island?

A. Yes, we do.

Q. Do the other companies also operate on both sides?

A. The Canadian Pacific Railway Company have a scheduled service to the west coast of

Vancouver Island. I am not aware of any others that run there regularly.

Q. In the first page of your brief you give a listing of the ships operated by your company. I take it this list is a complete one, is that correct?

A. Yes, it is.

Q. You mention a few barges also at the bottom of the first page?

A. That is correct.

Q. Does this mean that you do not operate any other barges than those mentioned here?

A. That is right. Those barges are used in the specific carriage of bulk ore from the Southeastern Alaska and between Pretoria and Watson Island. It is not ore. It is pyrites they use in the pulp mill there.

Q. Does your company operate any tugs and scows?

A. At the present time no. We did have one vessel but she was unfortunately lost at sea and we have not replaced her .

Q. Does your company have to face any competition from tugs and scows?

A. Very definitely.

Q. All along the route or only on certain parts of the route on which you operate?

A. On most of the coast where there are large centres that at any one time can ship a

large quantity of goods which places the towboat in a highly competitive position compared to our business. I am thinking of the problems of British Columbia, Ocean Falls. There is a very large amount of pulp towing done between Vancouver, New Westminster and local ports to and from local pulp mills on Vancouver Island east coast, Powell River. There is a very heavy movement from there.

Q. Can you explain why these tugs and scows are in a very competitive position?

A. I was referring there to the independent tugboat companies which transport large volumes of construction materials and similar goods to and from Vancouver to the various ports on the coast where large construction projects are under way, Kitimat. There were several other tugs and barges between Vancouver and Kitimat to the larger construction projects. By virtue of the smaller vessels, the smaller crews and cheaper operation they were able to haul these goods at lesser cost than the steamship company was able to.

Q. Does your company object to such development in the pattern of water transportation on this coast?

A. No, we are not in that position, however, it is a problem with which we are faced.

Q. You have mentioned your company does not at the present time operate any tugs and scows. Does your company intend to operate some?

A. There has been no thinking along

that line as yet. It might well happen at some time in the future.

Q. If companies operating tugs and scows put you in such a new competitive position would it not be economically advisable for your company to compete on the same footing, I mean entering that field of water transportation pattern?

A. It would only be practicable to some extent. Where you have a tug and barge operation you are subjected to the severe weather conditions which prevail, not only on Queen Charlotte Sound and across Hecate Strait but also even within what we call the inside waters between Georgia and North Vancouver when the weather is at times very severe. You cannot maintain a scheduled tug and barge operation on a long distance haul. Our business up to now has largely been centred around scheduled sailings with regular ports of call with regular sailing days.

Q. I had in mind having this tug and scow service in addition to your present service. I did not have in mind replacement of your present service.

A. Well, I may not have expressed myself quite clearly enough. We are the only people operating our service and whether that tug freight would possibly be an improvement from the or provide for improving the overall service from a standpoint of economics---.

Q. Can you tell the Commission whether

your companies engage in international trade as well as the coasting trade?

A. We are to an extent at the ports of Puget Sound to Alaska.

Q. Would you have any way of telling the Commission to what extent you are engaged in that international trade?

A. Yes, the operation I referred to previously, the transportation of bulk ore from Taku Inlet in Southeastern Alaska, a large port there, directly to the smelter at Tacoma. That was done by our Steamship Cassiar until the time we withdrew her from the service on the 1st of May for dieselization from operating between Vancouver and Skagway and from the time she was withdrawn until the time that the strike took place our motor ship the Chilliwack was substituted in her place. It was furthered up away by the Yukon Railroad into Whitehorse. That was a joint operation with the Canadian Pacific Railway.

Q. Would you have any way of providing the Commission with comparable figures either in tonnage or in gross volume of business or otherwise to indicate how much of your business is Alaska - Canada and Canada - Southern United States, I mean, Continental United States?

A. I do not have those figures now but I would be very pleased to supply them to the Commission.

Q. Would you supply them in tonnage or in dollar figures and perhaps explain those figures so that they may be of some use to the Commission?

A. It is possible we may be able to do it both ways but I would not say for sure at the moment.

Q. I have mentioned Alaska-Canada and Canada-Southern United States. I mean the United States south of Canada and also the coasting trade so we will have three comparable sets of figures?

A. I am sure I can get that information. I should point out at this juncture this ore transportation operation is also a joint operation. It is not wholly the Union Steamships.

Q. Joint with which other company?

A. With the Straits Towing Limited.

THE CHAIRMAN: The Straits Towing Limited who have also submitted a brief.

MR. GERIN-LAJOIE: Q. Do I understand that the Straits Towing Limited is a Canadian company?

A. That is right.

Q. When you say joint do you mean that the number of ships are jointly owned or otherwise?

A. I am referring to the barges. As far as the ownership is concerned two of them are owned by Union Steamships Limited. Two of them are owned by Straits Towing Limited and

one of them is jointly owned. That comprises our barge pool, Straits Towing Limited tugs are used in the towing of barges.

Q. Now then you have mentioned a number of problems with which your company is faced. I am looking for the moment at the top of page 4, the high operating costs. "(a) Fuel oil and lubricants, (b) insurance. (c) wages." Is there anything that can be done in your view to obviate these difficulties or do you just mention these facts to give a general picture of the present situation?

A. More to illustrate the problems with which we are faced. I have the figures of daily operating costs available if they would be of any help to the Commission. I have the figures of the daily wage costs on the basis of 1954 and I would point out this is not too indicative but in 1954 our bill for fuel oil and lubricants was over $662,000, just one item.

Q. Regarding operating costs and wages do you have those figures available for every individual ship or for each type of ship or for the overall operations?

A. I have the daily operating costs available of each ship in the fleet. I can tell you that our passenger cargo vessels---.

Q. Do you have a statement which you can file as an exhibit?

A. I have a statement that I can file

but I have not one with me. I can supply it showing exactly our daily operating costs of each ship. As far as the daily wage costs are concerned there are only two figures. I think I can give you them if you like.

Q. Yes, you might mention them at this time.

A. On our passenger cargo vessels -- I am sorry, I do not have that figure. I thought it was here but this is another figure.

Q. But you will supply the Commission with a written statement of those figures?

A. Yes.

Q. When you mention the operating costs of each individual ship will you please mention the tonnage of each ship?

A. Yes.

Q. Also whether the cost is for the days on which you actually operate the ships or if they are an average for the 365 days of the year?

A. Yes, the statement will show that.

Q. When you supply the Commission with the operating costs of each ship, is there any way of breaking down those figures to show the proportion of each that would cover depreciation, insurance and wages?

A. The statement has that information.

Q. This will be very useful to the Commission. At page 5 of your brief I am reading from the bound volume copy B-93, "Competitive

Problems" to which you have referred a moment ago actually, of these scows and barges bringing materials and so forth to these new outposts like Kitimat?

A. Yes.

Q. You call them "Opportunist Operations set in motion by independent ship owners and barge companies." Can you explain what you mean by "Opportunist Operations"?

A. That part of the paragraph really does not have reference on the major movements to the construction companies. What I was referring to there was the small companies that come in from time to time and cut into the various routes upon which we operate and diminish the volume that is available to our ships on that route and do not have the responsibility of continuation of a scheduled service. There have been quite a number from time to time that have engaged in these small operations and then at a later date have pulled out and then we have been looked to to fill the gap again.

This has all taken place, I would say, over the period since the time of the war and has had an effect on our revenues detrimentally and yet in most cases we have always been looked to to fulfil that service again when the fleet operator has pulled out.

Q. Are these companies or ship owners normally operating elsewhere or were they just

brought in for the performance of these spasmodic services?

A. The latter.

Q. What happened to their ships or barges or scows? Did they buy them just for the purpose and sell them afterwards?

A. I am not sure of the disposition of some of them I referred to. I know that one company went bankrupt. I do not know what became of the vessels they were operating. Some of them are still operating. I do know that the towing operations, I am referring to straight vessel operation cargo and passenger service, most of these services are of short distances. There have not been any other companies engaged in the long haul business, that is not in it to that extent.

One of the main routes that has cut very severely into our operation are the small vessel operations along the British Columbia mainland coast, running between here and the north end of Vancouver Island where they have a small logging camp. The result is that now that competition that has been afforded us there has been getting to the stage where it may not be economically for us to stay in the business. It is quite conceivable that service may be jeopardized if the steamship operations and the cost of operations continue to climb. It may be that some of the smaller companies may not be able to continue

the service. If it is gone we may be looked to to resume the service again. That is pure guesswork or conjecture on my part. It has created a very severe loss of business during at least eight months of the year not only on that route but it is more marked on that particular route.

Q. For how many years has this been going on, many years or a very few years?

A. Just since the war. Most of them are converted vessels that have been either brought into Canada or which have been bought from the Canadian Navy at the end of the war.

Q. Do you call them spasmodic services or have they been constantly servicing for a number of years since the war and still are servicing?

A. The term "spasmodic" there has reference to a long period of years, referring to operations being performed in the past for a spasmodic period.

Q. Would that be a period of a number of years?

A. In some cases it is. In some cases it is of quite short duration.

Q. Do you feel that competition should be put under regulation to obviate this difficulty for your company? You did not make any recommendation. You do not feel there is anything that can be done about that?

A. No, we are not suggesting that anything should be done. It is a form of competition with which we are faced. We have to try to solve it. Possibly the suggestion made by the Canadian Pacific Railway where they recommend licensing regulation of the Transport Act be invoked, that might provide a solution for that.

Q. Do you think it would provide a solution for the type of competition which is developed at the bottom of page 5, that is construction subsidiaries to new companies using barges for their own purposes or for the purposes of the parent company?

A. I am not referring to barges owned by those companies. Those are barges operated by towing companies that are involved there. It is because of the towboat industry and general boating, that additional competition.

Q. That is what you refer to in the last paragraph of page 5, construction subsidiaries of new companies have also used barges.

A. Yes. They have contracted with barges operated by the towboat companies that are in the general towing business.

Q. Do you think that such a service should come under the provisions of the Transport Act as well as the other operations to which you have referred a moment ago?

A. If the licensing regulations were invoked under the Transport Act I feel it should

be for everyone operating in the trade whether they be towing companies or steamship companies.

Q. If a construction company was operating tugs and so forth, barges and scows for its own purposes, this would not fall under the Transport Act under your proposal now?

A. I feel they should to this extent that the purpose behind the licensing regulations would be to provide for a stabilization of the type of industry and such stabilization could not be provided for unless everyone engaged in that type of traffic, whether they be company owned or construction company or others, were involved.

THE CHAIRMAN: Q. They are only carrying the goods of their own company. The A B Construction Company Limited has a job in Northern Vancouver and takes its own scows, barges and tugs up. Do you suggest that that carrying for its own job should be licensed?

A. I feel that should be because through licensing there would be control so they would operate that barge on that work and that work only.

Q. They would have to establish convenience and necessity to operate it so that you could come in and say they should not be allowed to have the tugs and barges because we have the tugs and we will carry it for them. Is that it?

A. I wouldn't ---.

Q. It comes very close to a monopoly?

A. I would not go that far. My suggestion is that in the event that such company vessels do engage in that type of operation on their own behalf that licensing should be restricted to operating for that work and that work only and not without regulation against those who are regulated.

MR. GERIN-LAJOIE: Q. Mr. Ellis, I am referring to page 6 of your brief, paragraph number 3. You refer thereto a growing tendency of American tugs and barges entering B. C. waters, load products of Canadian industrial operations and transport such cargoes to points in Puget Sound. This has come about largely as a result of the severe penalties that British Columbia ships must pay in the way of stevedoring costs re discharging cargoes at Seattle and Tacoma, Washington. Does this same difficult apply to American vessels discharging in Canada?

A. No. Thereis a very great difference in the cost of stevedoring at Vancouver or in a British Columbia port as compared to Puget Sound ports. The cost per ton is more than double. In fact I would say that it approaches three times.

Q. I understand that in the United States the cost of discharging is less for vessels engaged in the coasting trade than for vessels engaged in the international trade?

A. That is correct.

Q. Is there a comparable difference in Canada between the cost of discharging coastwise vessels and the international trade vessels?

A. No. The problem is brought about this way. If a Canadian vessel were to be engaged in the coastwise trade or deep sea, and they have to call at Puget Sound they are considered by the Longshoremen's Union to be a foreign flag vessel The United States is a foreign flag vessel. In the same category as a deep-sea ship and their regulations require the longshoremento be provided in a gang of a minimum of either ten or eleven men. Most coastwise ships do not require that number of longshoremen to work the hold of their ship. Therefore, you are paying for men at higher rates and much lower productivity.

Q. Are there comparable rules in Vancouver and along the British Columbia Coast for discharging deep-sea vessels?

A. Not to the same extent.

Q. Deep-sea or foreign flags?

A. Not to the same extent. There are American coastwise vessels from Puget Sound coming into Vancouver that have discharged with their own seamen. The cargo is never touched by the Longshormen.

Q. There are no rules requiring a ship to use the service of the Longshoremen in Vancouver?

A. That is correct.

Q. If they use the longshoremen there is no rule requiring ships to use a certain number of them?

A. No. In the deep-sea longshoring in Vancouver and the outports of British Columbia and coastwise, they are despatched in groups of so many men but there is a certain amount of flexibility. In coastwise longshoring you order the number of men you require and that is the number of men you receive. There is no regulation or restriction in any way shape or form.

Q. I wonder if American vessels discharging in Vancouver are in a less advantageous position than Canadian vessels?

A. I think not. I think they are often at an advantage coming into Vancouver because the ships are small coastal ships of the elevator type. Their cargo is all pallettized and they run it right to the wharf shed with their own seamen using these lift trucks.

Q. When you mention in your brief the airlines and the growing competition of railways, that is also just to give a general pattern of the situation which has developed?

A. That is correct.

Q. You mentioned somewhere in your brief that your ships are not used to capacity all year round. Would you explain why this is so?

A. Yes. The major people that we

service on the British Columbia Coast are industries. Many of these industries are very much of a seasonal nature. There are some that operate in certain months of the year but the fishing industry is decidedly seasonal. The logging camps have summer shut-downs and winter shut-downs. In the summer it is because of the fire hazard and in the winter it is because of snow. They are not totally closed down but it does affect the volume and the national economy. There are various mines operating on the Coast, one in Tulsequa which we reach from Taku Inlet. That transportation season runs from May to September. That ore industry does not operate in the wintertime. They cannot get the ore out because of the rivers freezing up.

The passenger traffic for the same runs is very seasonal. In the summertime we often if not always get our ships full of round trip tourists when that space is available over and above the normal traffic that is moving on the Coast. In the wintertime many many times we operate at half capacity.

Q. Do you operate on the same schedule in the wintertime and in the summertime?

A. Yes, we are under agreement with the Canadian Maritime Commission to do so. There are some variations between summer service and winter service.

Q. That is what I mean. The services

are not identical for summer and for wintertime?

A. No, but the differences are not of a major nature.

Q. Can you tell approximately how many round trips you make in the summer, for instance, in a summer month, and how many round trips you make in a winter month?

A. I think if I refer to the vessels named on the front page of the brief I can give that to you quite clearly. The S. S. Camosun makes one trip a week the year round. The same applies to the S. S. Coquitlam. The S. S. Catala is on a dual route. She makes two trips a week, a short one and a long one. That service is the year round. The S. S. Cardena makes one trip per week of five days' duration the year round.

The S. S. Chilcotin has a ten-day round trip summer cruise operation and is used as relief during the winter months when we are having the other ships in for special requirements and she may go over there as a substitute in the event of an accident to one of the other ships.

The Lady Cynthia makes one trip per day between Vancouver and Squamish although in the wintertime she makes five trips a week instead of seven.

The cargo ships, the Chilkoot makes a weekly round trip to Quatsino Sound on Vancouver Island. The Chilliwack usually---.

Q. All year round?

A. All year round. The Chilliwack was a substitute vessel. Maybe the Chenega -- Normally the Chenega does not operate all year round but the Chilliwack is the normal ship to be used in the service to Prince Rupert and Anyox.

Q. The Chenega would operate only in the summer months?

A. Yes. She was laid up most of the winter last year. She was only acquired last year.

I think the same thing would hold true unless vast changes take place levelling out traffic to twelve months of the year by further industrial expansion on the Coast. The Cassiar is a ship that previously was operated on the Panamanian service to Skagway. The Capilano makes three trips a week through the Straits of Georgia on the run to Blubber Bay and also calls at Howe Sound ports. I think that pretty well covers the fleet.

Q. You mention in your brief that in the winter months your ships are not fully loaded and in the summer months you have to refuse business?

A. That is correct.

Q. I wonder if your company has considered entering a larger number or operating a larger number of ships in the summertime and a lesser number in the winter?

A. That is a problem with which we are

faced. You can only have so many bottoms and it would be highly unprofitable to have more bottoms than your operations would require, to a large degree, because having that number of ships throughout the winter would make it an uneconomical operation.

Q. From the investment point of view?

A. Yes, and from the operation itself, to be able to provide for depreciation to be able to provide for operation with any measure of hope for profit.

Q. If your ships are fully loaded in the summer months I wonder why you are affected adversely by the competition of these other lines of water transportation which you have mentioned at page 5 of your brief.

A. The majority of these movements I have particularly referred to very often are pretty well on a year-round basis in the summer months. The position here is such that in the winter months -- unfortunately in our operation we make a profit for four months of the year and we lose for the other eight months of the year.

Q. I understand from your brief and I think from personal information, you will correct me if I am wrong, if it is not right, that some of your ships or operations, I should say, are subsidized, is that correct?

A. Certain of our regularly scheduled passenger routes, not all of them. There are four ships under subsidy. The Camosun, the

Coquitlam, the Catala and the Caredena. The routes they serve are the ones which the Government puts a subsidy on.

Q. Now, can you mention the amount of the annual subsidy as it stands at the present time?

A. It operates from a year to year basis of estimated operational results. The present subsidy is $325,000.

Q. Can you explain briefly why these operations or services are subsidized?

A. They are subsidized because of the fact that they entail a loss on a number of operations in maintaining direct service calls under an agreement with the Maritime Commission. One of the controlling things is the amount is based -- the subsidy is not based on the loss factor. It is based on an estimated twelve-months' operation result.

Q. You have referred to an agreement with the Canadian Maritime Commission. Would you tell us what type of agreement that is and would you be in a position to file with the Commission a copy of this agreement?

A. We could have a copy made. It is a rather lengthy thing. It would take a little time to get but we can file a copy with you. It lists all the ports of call, stabilizes all the ports we are required to call at and the frequency of service and the vessels utilized

and other factors generally covering the operation of these routes.

Q. Can you tell the Commission why you have such an agreement? Is it just because you get some subsidy or is it for some other reason that you have such an agreement with the Canadian Maritime Commission?

A. The Canadian Maritime Commission executes an agreement with anybody to whom they pay a subsidy.

Q. The reason why there is this subsidy in any event is because the service is very necessary for the localities on the Coast?

A. That is correct.

Q. I should like to clarify the brief and the recommendations which you list there neatly at the end of your brief, on page 8 more particularly. Recommendations (1) "That consideration be given to further assistance in connection with the construction of new vessels". Should consideration be given by this Commission or by Government authorities?

A. By Government authorities. In other words that consideration be given by this Commission to the matters contained in these recommendations with the view of submitting the recommendations to the authorities concerned.

Q. Do you mean that this Commission should consider the problems and propose some

assistance, if the Commission feels it advisable or should the Commission in your view just repeat this paragraph in its report?

A. I consider that the Commission -- it is recommended that the Commission consider these matters and if deemed advisable to do so, to incorporate in the recommendations, if they see fit, in their final report.

THE CHAIRMAN: Q. Yes, but your proposals, as I understand it, are that there should be no limitation on the places where you can purchase your ships. You can go to the United Kingdom to purchase your ships?

A. In other words, it is the same as the situation that now exists.

Q. And it is a form of subsidy in purchasing your vessels. In fact you are subsidizing United Kingdom shipbuilders. That is an unusual view, is it not?

A. The situation there is -- I can see that point quite clearly. It may be that it is not completely enough there. The intent of Item 1 is regarding ships, ships built, converted or constructed in Canada. This should have "Canada" in there. It was from that standpoint -- . I might point out that it was probably that we took for granted that fact because since the war we have done everything in the way of conversion and repairs in so far as our fleet is concerned in Canadian yards amounting to about eight million

dollars.

MR. GERIN-LAJOIE: Q. When you mention, Mr. Ellis, further assistance in connection with the construction of new vessels, do you mean that there is at the present time some Government assistance to the construction of new vessels?

A. Yes, the Canadian Vessels Construction Assistance Act.

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COMMISSIONER WICKWIRE: Are there some advantages other than depreciation advantages in that Act?

A. No, that is all there is. It is the depreciation.

THE CHAIRMAN: Q. Now, with regard to the $8,000,000-worth of work that you have done, were any of the ships listed on page 1 of your brief constructed in Canada, and, if so, which ones?

A. The Coquitlan and the Camosun and the Chilcotin are three former Canadian naval ships which were converted into Canadian passenger and cargo ships in the Canadian yards. The Chilcotin and Camosun were sister ships; they were China coasters which were constructed in Canadian yards.

Q. That is the Chilcotin and the Camosun?

A. They were constructed subsequent to the war -- in the last stages of the war. The Capilano was constructed in Canada, but I think I will have to check that. It was a ship purchased from the East; it was not constructed for us.

MR. GERIN-LAJOIE: Now, I refer to your recommendation No. 2, and I quote:

"That construction of new vessels "be permitted wherever same can be accom- "plished most economically."

Would you explain more fully what you have in mind here?

A. That can be expressed in another way, and that is that the present regulations

remain in effect.

Q. You say, "wherever same can be accomplished most economically." Does this phrase add anything else, or do you leave this to the judgment of each individual shipping company?

A. That is correct. In other words, they would be exercizing the privilege they are now able to.

Q. Now, recommendation No. 3 refers to safety regulations. Do you have in mind any particular regulation, or any safety requirement, which should be softened?

A. That situation has been to a great extent cleared up, and may be to a further extent by the first of the coming year. The Steamship Inspection Board are at present revising their safety regulations to bring them into conformity with the Safety of Life at Sea Convention Regulations of 1948. The existing regulations had gone somewhat further than the international regulations, and were imposing a very costly penalty against the Canadian ships because they were not, in effect, in other parts of the world or in countries which were parties to that convention. Certain relaxations have been given now, one of which has resulted in a saving to our company of two-thirds of a figure which we were saddled with as a result of these regulations. I have seen the draft of the new regulations, and I feel quite sure that that item is quite well dealt with now, or will be when the regulations

are amended. The draft only came out during the month of August, and was not circulated at the time this brief was compiled.

Q. I would like to refer to your recommendation No. 5 regarding the method of paying the subsidies which your company receives at present, as I understand it.

A. I am not necessarily referring to our company only; I am referring to any subsidy at all that is paid. I bring this question up in view, and along the lines, of what I have already described.

Q. That is why I was referring to your company in particular, because you have explained the case of your company, but I quite realize your suggestion has a more general effect.

A. Yes. The seasonal nature of the business on the coast, as I have pointed out, allows us to operate profitably for four months of the year, but we operate at quite a severe loss during the other eight months, and when a subsidy for performing an essential service is paid on the basis of twelve months it does not provide at the end of the year for much surplus, if any, on the particular operation, and as a result of that the question of over a long-term period replacing your tonnage becomes a most severe one. If the companies who are subsidized were permitted to take advantage of the peak period and were subsidized only for the winter operation, or the non-profitable operation, then they would be in a position to be on a much

sounder footing financially, and to make provision for replacement of tonnage from time to time.

Q. Would it be enough that the method of paying subsidies should take into account the cost of replacing the tonnage? Is this the purpose you had in mind?

A. I am not suggesting it had any direct bearing on the replacement of the tonnage, but I would answer the question this way: The fact that tonnage on this coast has not been replaced sooner is because of the fact of these heavy losses in the winter months, and the fact that the subsidy is only based on the twelve months' operation.

Q. I will tell you quite frankly that I can see your proposal now, and you will correct me if I am wrong, and it is that you would like to be able to make as much money in the profitable season and be subsidized only for the other period? I wonder if that is so what is the basis for such a proposal? I mean, if you make, on a particular service in the profitable season, much money -- I say "if" -- should part of this profit be applied for the rest of the season?

A. In the summer months the majority of the traffic is created by industrial operations, but at the same time all these other isolated parts are being serviced. In the winter months industrial traffic drops, and we are still required to service the isolated parts, and actually if a subsidy is paid at all, or if a

company engages in an operation, or a run, for which the Government will or does pay a subsidy, they might well be in a position to consider foregoing it in the event that its operations over a twelve months' period are not sufficiently sound economically. I am suggesting consideration of this because as tonnage becomes old and obsolete, unless you have made a sufficient profit to take care of ample depreciation then you are unable to replace that tonnage and to continue the service. I do not know whether I have made myself clear or not.

Q. I am wondering whether it would not be enough that the subsidy take into account the depreciation necessary for eventually replacing your tonnage?

A. A lot depends on the operation itself. The subsidy is based in advance on the estimated outcome of the coming year's operation. It may or may not be a correct figure. I am convinced that for 1955 even if we had not had not had a strike we would have wound up with quite a bad loss for the year because of the serious drop in traffic.

Q. May I suggest that your proposal will not overcome this difficulty because you do not propose the subsidy be paid at the end of the year. You just suggest that the subsidy be calculated otherwise at the beginning, or before the beginning, of the year.

A. If the subsidy was adjusted at the end of the year I think that would solve the

problem to some extent.

Q. That would be another proposal as opposed to the one you are putting forward in your brief?

A. Yes.

Q. It appears to me, and I may be wrong and I would like you to correct me if that is so, that you just want to be free to do business as you like in the profitable season just for the purpose of making money. Of course, we all want to make money; everyone who is in business is in it for that purpose, but I wonder if there is any other reason than that one for justifying your proposal?

A. No, there is no other reason. I might go a step further -- and I think this may explain what I have in mind -- and say that the winter season would be subsidized only, and the summer months free of subsidy, and then I feel that by negotiation with the body paying the subsidy there is a scope for changing the aspect of the operations, and providing not so frequent a service to some points where it is not completely justified, whereby a lower subsidy would be involved and whereby a better economic position would be created for the company. To me it does not seem reasonable that as frequent or as steady a service with a passenger vessel to some of the smaller locations should be performed the year round when it is being performed at such a heavy loss.

Q. You are proposing to save money for

the Government?

A. I think it will save money for the company and for the Government -- both.

Q. May I refer you to your recommendation No. 6 regarding the movement of vessels from Alaska to the United States around Seattle, and so forth. How could this be achieved? How could your proposal be achieved, or do you have any suggestion to make in this respect?

A. It could only be achieved by legislation. Whether the Government would consider such legislation, of course, is another matter. I have made the recommendation to bring it to the attention of the proper authorities.

Q. Am I right in my understanding that recommendation No. 6 covers the case of the Alaska-United States movement?

A. No.

Q. That is No. 7, is it?

A. Yes.

Q. I am sorry. We will take it as No. 7. When you mention legislation you probably have in mind that Nos. 6 and 7 would be solved by treaty. Do you think Canada has any bargaining power to ask for such a treaty from the United States?

A. I think in this particular instance there are lots of precedents which can be followed. The peculiarities of this movement of ore which is the product of Tulsequa, which is just

east of the Alaskan Panhandle border -- the only way of moving that type of ore is down the Taku River into the Taku inlet, where it is transferred from those Canadian river barges to Canadian bulk carriers, and towed by Canadian tow-boats to Vancouver, in some instances, and to Tacoma in others. Because the goods are transferred from a Canadian river barge to a Canadian bulk carrier in American waters, it then becomes necessary, at considerable expense, to in turn transship that bulk ore from one bulk barge to another bulk barge before carrying it on to Tacoma.

Q. I appreciate that, but did you say there were other instances of agreement between Canada and the United States to take care of such a problem?

A. Not necessarily between Canada and the United States, but by the establishment of a free port area.

Q. That comes back to my original question, and I do not know if you have any view on this, But do you think Canada has any bargaining power? Do you think the United States would have any interest in it to agree to such a proposal?

A. I really have no answer for that question. I have not given consideration to it, and offhand I cannot think of anything that might be involved.

Q. Now, if we may come back to your proposal, No. 6 -- do you have it in front of you?

A. Yes.

Q. Can you explain concisely what you

have in mind here?

A. Yes, the matter referred to in the brief covers the movement of fishmeal produced by British Columbia reduction plants, the large bulk of which eventually is shipped to mid-west and eastern United States destinations, and some of it also to Pacific destinations in the United States. The usual procedure in connection with these shipments has been that they are either carried to Vancouver directly for furtherance by rail, or into either Seattle or Tacoma for furtherance by rail from there. Shipments headed for the mid-west are covered by through rates to which the water carriers are a party, and shipments to Pacific Coast destinations are not. There has been a growing tendency for American tugboats and barges to come into British Columbia water-locked ports, and lifting these goods and taking them into Puget Sound ports where they have this advantage of lower cost enabling them to quote lower rates. In other words, the question of lower rates come about by that lower cost.

Q. Well, how can the proposal be achieved, do you think, if those regulations are enforced by the American trade unions? Do you think the Canadian Government can do anything about this?

A. I must confess it is a most difficult question to deal with, and it may not be possible to deal with it.

Q. Regarding your recommendation No. 8 -- that is, that consideration be given to applying

the same regulations to U.S. citizens and companies engaged in coast-wise shipping in Canada as applied to Canadian citizens and companies in respect to shipping operations in the United States of America. Of course, I imagine you realize that this would hamper the importation of United States capital into Canada for the economic development of our country.

A. It could.

Q. And you feel that this would be worth doing for the purpose you have in mind, and that the advantages of such a step would out-weigh the present disadvantages to which you refer?

A. I feel that it would. Under the existing regulations it is an unfortunate fact, but it is true, that the regulations as they now stand make it an advantage for a Canadian citizen to move to the United States and to become a United States citizen, and to continue to operate in Canada -- to continue to operate in both countries. Where we have American territory to the north of us and to the south of us that further involves that question.

Q. I quite understand this, but do you feel that this is a more important aspect than the prevention of United States capital entering into Canada to develop the coasting trade?

A. I think our coasting trade is developed to a maximum at the present time in relation to the traffic that is available.

Q. But I imagine that it will not stay at its present stage, and that it will develop

with the general economic development of the country.

A. I certainly hope that is the case because it will help to make a sick industry well again.

MR. GERIN-LAJOIE: That is all, Mr. Chairman.

MR. WRIGHT: Q. Mr. Ellis, in the supplementary brief which you filed, you expressed yourself as being in disagreement with a recommendation which the Canadian Pacific Railway Company, and also the Canadian National Railway Company, have made with respect to the extension of Parts I, II and III of the Transport Act to the coasting trade on this coast. Now, you give as your reason that it is neither practicable nor in the interest of the steamship companies engaged in the coasting trade in British Columbia waters to attempt to regulate freight rates. Mr. Ellis, I think from what you have said in evidence that probably what you have said in this brief -- this supplementary brief -- goes a little further than you intended, does it not? I mean by that, that you have no objection to the licensing provisions of the Transport Act contained in Parts I and II being extended to the coasting trade on this coast?

A. That is correct. I did not specifically exclude it in the supplemental brief. On the other hand, I referred only to freight rate regulations.

Q. Yes. Well, I think we have that clear now. You heard what Mr. Anderson of the Manson's Landing Community Activities Committee had to say about the activity on Cortes Island?

A. Yes.

Q. And you, I think, at one time did serve that Island, did you not?

A. I believe so. It was before my time with the company, but I believe that is correct.

Q. And would you say that if the licensing provisions of the Transport Act had been in effect that the difficulties and problems which subsequently arose at that point would not have occurred?

A. In all likelihood we would probably still be servicing these points.

Q. That is, Union Steamships would still be servicing those points?

A. Yes.

Q. That is, shipping capacity would have been restricted in accordance with the needs of the public?

A. That is a distinct possibility.

MR. WRIGHT: Yes.

THE CHAIRMAN: Q. What you mean is that if the licensing provisions had been in effect you would have succeeded in opposing the license granted to these other, what you term, fly-by-nights? You would not have dropped, and when they dropped you would still be there?

A. Yes. I would not go so far as to say that would definitely be the case. These are small ports, and when competition entered the picture there it became uneconomical to serve them, and the route that the ship sailed on that

called at those particular ports was an unprofitable route, in any event, but it has been considerably changed since those ports have been deleted.

Q. And I suggest to you that if you had not moved out and had been granted a license you would be asking for leave to drop the thing, anyway.

A. Possibly, in those specific instances.

MR. WRIGHT: Q. Is it possible for you to say what you would have done?

A. No.

THE CHAIRMAN: You were asking him to conjecture a moment ago, Mr. Wright; I was asking him to conjecture also.

MR. WRIGHT: Yes, Mr. Chairman, but the point I am making is this, that the possibility of his staying there if he had not been faced with this competition would have been much greater than if he had been faced with it.

THE CHAIRMAN: He has just said -- and he used the word himself -- that the route was unprofitable, anyway, and considerable changes were made.

Q. I suggest to you that this is a case of an area which has either not gone forward in its development, or which has actually gone backwards?

A. It is in an area that it is logical to serve by one specific ship on one specific route, the area being made up of a multitude of very small communities.

Q. When did you abandon your service

into Manson's Landing?

A. Perhaps I might ask Mr. Rushton that question; he may have that information.

MR. RUSHTON: I am not certain of the exact dates.

THE WITNESS: We can get that information for you.

MR. RUSHTON: It was after the war.

MR. MUNDELL: It is in the third paragraph.

MR. WRIGHT: Yes, I think it is stated -- is it stated in that draft?

MR. MUNDELL: Prior to 1945, I think it suggests.

MR. WRIGHT: It was after 1945, was it, Mr. Rushton?

MR. RUSHTON: That is right, sir.

MR. WRIGHT: A year or so after.

MR. RUSHTON: Possibly I would say, within two or three years.

MR. WRIGHT: Q. How long prior to the discontinuance of that service had you serviced that point?

A. I would have to ask Mr. Rushton that question also.

MR. RUSHTON: Approximately forty years.

MR. WRIGHT: Forty years, thank you.

Q. I think you said, Mr. Ellis, that you are in competition for traffic with the towboat people?

A. That is right.

Q. And for what type of traffic do you compete?

A. It is mostly large volume cargo movements.

Q. Large volume cargo movements?

A. What I mean by that is large volumes of construction supplies, or construction equipment -- possibly materials for hospital projects and school projects along the coast, and that sort of thing, as well as industrial.

Q. Yes. You say it is not practicable to regulate freight rates on this coast. Do you mean by that that it would not be practicable to regulate the rates of all operators on this coast?

A. That is correct.

Q. Why do you say it would not be practicable to regulate the rates of the scheduled operators?

A. It would be practicable to regulate the rates of the scheduled operators if it were not for the other type of operation that is carried on.

Q. The point is that it would be practicable to regulate the rates of scheduled operators, but it would not be practicable to regulate the rates of the non-scheduled tow-boat operators; is that right?

A. That is correct.

THE CHAIRMAN: Q. And further than that, if you did regulate the rates of the scheduled operators and left unregulated the tugboat operators

then it would be cutting the throat of the scheduled operators?

A. Yes, that is exactly my point.

MR. WRIGHT: Q. Yes, you would be in a disadvantageous position, would you not?

A. Very definitely.

Q. And why would you be in that disadvantageous position?

A. The towing companies have various ways of quoting rates. They have flat rates for a point-to-point tow. They have flat rates for those within certain zones. They have hourly rates and charter hire rates for towing. They have daily rates, and they have mileage rates. And the length of the tow has a bearing on the manner in which the rates are quoted. On a long tow where Queen Charlotte Sound has to be crossed, or where the cargo is going to the West Coast of Vancouver Island crossing Hecate Strait, the weather conditions play a vital part in the performance of the tow, and the usual method by which rates are quoted on those types of tows is on a daily basis -- a daily rate or a voyage rate -- allowing for delay due to weather.

Q. Well -- I am sorry; go ahead.

A. Well, that method of assessing charges is so completely different from the method used by the steamship operators, and it is next to impossible to control because of the many factors involved, and due to the fact that we must often at very short notice give special quotations on a

large single movement for a customer unless we have freedom of action and can make such a quotation on short notice the traffic would be lost to the tow-boat companies involved.

Q. Is it your view that if you were regulated you would not be able to make quotations at short notice?

A. Not on the short notice that is required. It is a matter of half an hour oftentimes.

Q. Well, you feel that the provisions of Section 17 giving you authority to quote competitive freight traffic rates would not be sufficient.

A. I do not think that gives sufficient ability to quote at such short notice as is often the case.

Q. I see. Are you always in a position to know what rates the tow-boat people are charging?

A. Not necessarily. They are always competitive quotations. We find out afterwards whether we got the business or whether we lost the business, but occasionally we learn what the work was performed for, but not in a great deal of instances.

Q. Not always?

A. No.

Q. You are not always, then, in a position to compete for traffic which goes to the tow-boat companies?

A. That just depends on how the two quotations compare.

Q. Yes, but if you do not know what the

quotation is you have no opportunity of competing, have you?

A. No. If we are asked to quote, we quote on what we think is a reasonable basis, and if we get the business, that is fine, and if we do not get it, well, we just do not get it.

Q. Now, in your supplementary brief you refer to the Canadian National brief which recommends that the limit of the vessels subject to the Act be reduced to 100 gross tons. You say that this would have the effect of exempting many tow-boats operating in British Columbia waters?

A. That is correct.

Q. It is your view, I take it from that, that that limitation would exempt certain boats from competing commercially with you?

A. That is correct.

Q. And if there is to be any reduction in the limit it should go right down?

A. That is right.

THE CHAIRMAN: Q. To row-boats?

A. No, I would not classify a row-boat as a powered vessel.

Q. I would think you would have to have a staff larger than the sailing population of British Columbia to administer it.

A. I think it could be done by the classification of the vessel. These vessels are all subject to steamship inspection.

MR. WRIGHT: You would be only interested

in vessels which compete with you commercially?

A. That is right.

Q. Now, in your supplementary brief you favour the restriction of the coasting trade to certain vessels, (a) registered in Canada; (b) owned by Canadian citizens, or owned by a body corporate subject to the requirement that 75% of the body corporate be owned by Canadian citizens. It is not your intention, I expect, to exclude the Canadian Pacific Railway Company from the coasting trade operation?

A. No.

Q. Did you realize that that would have that effect?

A. No, I did not.

Q. Yes. Now, in your recommendation No. 4 you ask that consideration be given to exempting coast-wise steamship companies from the relevant provisions of the Combines Investigation Act.

A. That is right.

Q. If regulation is practicable would not that accomplish what you have in mind there?

A. That recommendation is the only means I can see of providing a stabilization which might otherwise be provided by regulations which were considered to be impracticable.

Q. The object of recommendation No. 4 is to obtain a measure of stability within the industry, is it not?

A. That is right.

Q. And assuming regulation to be

practicable -- the Canadian Pacific considers it practicable; they have recommended it, and the Canadian National does, and Mr. Rogers -- whom I think you know, do you not? ---

A. Yes.

Q. ... considers it practicable. If it is practicable would not regulation under the Transport Act accomplish what you have in mind in item 4?

A. It would accomplish the same thing, but as I have pointed out, it has the other difficulties which this recommendation does not have.

MR. WRIGHT: Yes. Thank you, Mr. Ellis.

MR. MUNDELL: This seems to be a convenient time to adjourn, Mr. Chairman.

THE CHAIRMAN: Very well, we will adjourn until 2.30.

---Whereupon the hearing adjourned at 1.05 P.M.

---Upon resuming at 2.35 P.M.:

MR. MUNDELL: Mr. Merritt wishes to ask Mr. Ellis some questions, Mr. Chairman.

MR. MERRITT: Q. Mr. Ellis, from your brief I understand you find considerable problems of cost and competition in carrying on the service your company performs in the coast-wise trade. In general, would I be right in saying that you are content to face new situations as they come up and you are, in general, opposed to any regulatory change at this time because you feel you can deal with competition and costs as you did before? Is

that about your situation?

A. In most cases there are certain types of regulations which we have stated we do not oppose, but, generally speaking, as in any industry I feel the industry concerned has to meet the facts face to face and do the best it can about them.

Q. And ought to be able to stand on its own feet, and you are rather confident of your ability to do so.

A. Well, to some extent there are some very great difficulties we are faced with which may require some change in thinking so far as the type of operation is concerned and the extent of the operations is concerned. Basically, so far as controls are concerned, if everybody who is competing against each other is subjected to the same controls, then you have one picture. On the other side, if one part of an industry is controlled and the other is not then it becomes untenable for one of them.

Q. Yes. Now, I am more particularly concerned, of course, with the question of the proposal that coastal vessels shall be built in Canada as well as being resident in Canada, and you oppose that, do you not?

A. The principle of that restriction, yes.

Q. Yes, and actually is it not the fact that your company's major problem in the last ten years has been these various new forms of competition rather than cost problems?

A. Not entirely, and I shall have to go

back into history a little bit to explain this part of it. Prior to the start of the war freight rates and passenger fares were at a very low level. During the war costs sky-rocketed between 1941 and today, and ships' operating costs are now between 275 and 300 percent higher than they were at that time.

Q. Yes?

A. During the war many efforts were made through the Wartime Prices and Trade Board to obtain increased freight rates without any success whatever, and consequently a very severe drain on the resources of the coast-wise shipping companies took place. It was not until 1948, on June 1st to be exact, that freight rates were increased, and the rates that had been in effect before that date had been in effect for twenty or thirty years, or more. The result was that the damage had been done, and the money was not available for replacing tonnage, and the next best move was taken which was a case of conversion of units which were procured at a cheap price.

Q. Yes, but that having been done, I take it, since the acquisition of these new ships by conversion you have not needed further new ships, and at the moment you are only faced with this question of competition, are you not?

A. We need new tonnage very sorely. As a matter of fact the operating costs of the tonnage we have are rather high because of the nature of the units. A much more economical operation could be performed with the right kind of tonnage, but

resources having been drained the companies have not had the opportunity of replacing obsolete tonnage with something that was possible to operate more economically.

Q. The converted tonnage, then, has proved uneconomical to operate as compared to new tonnage designed for the job; is that right?

A. That is true, as the units are at the moment. There is, perhaps, a possibility that they could be further improved to cut operating costs.

Q. You apparently do not agree with my proposal to you, that your competitive problem is a greater problem than the acquisition one, but it is a serious one, anyway, is it not?

A. They are both serious, and the present-day conditions are a combination of the two factors.

Q. Yes. So far as the competitive one is concerned, the capital cost of steamships is greater, because of their nature, than that of their competitors, the tugs and barges?

A. That is correct.

Q. And in consequence it is not possible for you to acquire vessels at cheap prices which are a surplus on any market as easily as the towing companies are able to?

A. That is correct.

Q. And the restriction of the coastwise trade to vessels built in Canada might prevent companies of your kind from building in cheaper construction markets than Canada, but it

would also prevent your competition from acquiring surplus tonnage, particularly from the United States, would it not?

A. That is correct.

Q. And the net result of that might be relatively beneficial to your company, might it not?

A. It might, although there is another governing factor. As I understand it, of late years it has not been possible to import from the United States any vessel over five years of age, and that in itself would have the effect of increasing the cost to the buyer of anything he wished to buy. On top of that he would have the duty to pay. That is in place of the situation which existed after the war when war surplus vessels could be bought for a song and brought in on a fixed assessment basis for duty purposes.

Q. Yes. You mean there has been a sort of ministerial ruling that he will exercize his discretion limiting it to five years.

A. Yes, that is right.

Q. That could be changed without much ceremony at any time?

A. Yes, it is not subject to legislation; it is subject to ruling.

Q. Yes. Actually, had there been a restriction of the Canadian coastal trade to vessels built in Canada for the past fifteen years it would have made no difference to what you actually did in acquisition and construction, would

it?

A. I think not.

Q. And you have not actually acquired vessels abroad within that time?

A. No.

Q. How long was it prior to 1940, let us say, when you acquired a ship built out of Canada?

A. If I am not mistaken it was 1927 -- no, there was a small vessel in 1938, and the one before was -- the one small vessel was the Lady Rose which was acquired from the Old Country in 1938. The one before that of any size was the Catalla, which was built in the Old Country in 1928.

Q. The Catalla was built for you?

A. Yes.

Q. Was the Lady Rose built for you, or ---

A. I will have to check -- yes, she was built for us.

Q. She was built for you. You said that you felt that any subsidy should be a subsidy by all of Canada and not a subsidy by one section, did you not?

A. That is right.

Q. And that is a statement of principle which could be applied to any situation where one is opposed to a Government restriction of complete freedom of trade; is not that so?

A. No, the basis of making that statement is this, that if the coast-wise steamship companies were required to construct their vessels

in Canada due to the higher cost and the consequent higher insurance premiums and the higher depreciation your operating costs would then dictate an increase in freight rates and passenger fares, which is not possible. We are at the same level, or higher than, the airlines now so far as passenger fares are concerned, and we have the tow-boat industry to compete with on freight charges. It would drive business away from us. Therefore, I feel the coast-wise steamship companies would be penalized in the interests of the shipbuilding industry. That is why we recommend a differential construction subsidy in Canada should be paid, and then the total cost of those subsidies would be borne throughout the country in order to maintain that industry.

Q. Yes, but you are paying Canadian rates of pay to your crews, and you, of course, advocate that Canadian residents should man ships in the Canadian trade, and the Canadian ship construction costs are in large measure dictated by Canadian wage rates, are they not, and, indeed they reflect Canadian standards of living and business, generally, do they not?

A. Yes, that is right.

Q. So you have to put up with it in your acquisition of fuel, and you have to put up with it in paying your crews, and in meeting these other operating expenses; is not that so?

A. That is true, but on the other hand our competitors pay the same amounts as we do for

those things, but for vessels the difference in cost to the tow-boat industry compared to the steamship companies would be exaggerated by that much more because of the high difference in cost, and the fact that a ship of the type that we operate on the coast here costs so much more than a tow-boat costs, and so much more than a barge costs.

THE CHAIRMAN: Q. But the same restriction would apply to tow-boats?

A. I understand that, but it would not affect them to the same extent.

Q. That is because they operate more efficiently.

A. Yes; small ships instead of big ships.

Q. Yes, therefore I do not see how you could expect to have what must be for those particular purposes ineffeciency protected.

A. There are many runs on this coast where it is not practicable, for one thing, to use other types of equipment. A ship in some of the areas on this coast is far superior than other types of equipment in maintaining schedules, and in being able to deliver a cargo when it is required. On the other hand, tow-boats do operate into those same waters and do compete with the ships. My point is that there are requirements for both, and both are used, and a regulation of that type would penalize the steamship company to a far greater extent than it would the tow-boat company.

Q. Is not that just a matter of your

opinion, Mr. Ellis? Yours, undoubtedly, is an opinion to be seriously considered, but the relative result between you and your competitors had not been measured.

A. It is a straight dollar and cent question.

Q. And it has not actually been worked out, has it?

A. It is a straight arithmetical calculation. If you have a ship that is going to cost $1,000,000 outside of Canada and, for argument's sake, it costs 50% more in Canada, you have an increased cost of $500,000, whereas a tow-boat which might cost $100,000 outside of Canada would, by the same token, only cost an additional $50,000 in Canada.

Q. Yes, but of course there would be the additional costs of the barge it tows as well as the tow-boat, would there not?

A. Yes, that is correct, but that again is a low price type of vessel as compared to a ship.

Q. Then, I take it, your ship would very likely have a longer life than a barge?

A. Not necessarily. A lot depends on whether it is steel or whether it is wood, and a lot depends on the maintenance given to the unit during its lifetime, and to its accident record, and many other factors.

Q. But there are hundreds of factors

that one has to take into consideration; is not that so?

A. Very definitely.

Q. And this one about where a ship is built is just one of many factors in the operating of ships in the coastal trade?

A. Certainly it is.

Q. And it may be the most important one, or it may be the third most important one, or it may be the sixth, and that has never been discovered? You have never gone into it to find out exactly where it stands in importance, have you?

A. No. All I can do is comment that other costs to the same extent revolve around that initial cost of the vessel, like insurance and depreciation.

COMMISSIONER BELANGER: Q. And finance?

A. Yes, and finance, if you have to borrow capital to buy the unit.

MR. MERRITT: Q. The four months of profit and the eight months of loss situation might have a greater relative effect than increased construction costs, might it not?

A. On the operational decisions, do you mean?

Q. On the ability to finance construction at a higher price?

A. They both have a very, very strong bearing on the subject.

Q. What I am saying is, one might outweigh the other?

A. It could.

Q. And without prolonging it, there could be other factors which could engulf any of the other factors?

A. It is possible that that might be the case.

MR. MERRITT: Yes, thank you.

THE CHAIRMAN: Are there any other questions?

MR. GERIN-LAJOIE: Mr. Chairman, I might, with your permission, put one additional question to Mr. Ellis. It is in connection with his recommendation No. 4 regarding the Combines Investigation Act.

Q. Is it your view, Mr. Ellis, that the steamship companies should be allowed to enter into agreements as to the fixing of rates?

A. That is what is meant by that recommendation, yes.

Q. Is it your view that such a new situation might allow for the development of a monopolistic situation of some kind among shipping companies?

A. No, I think not, because the ever-pressing competition from the tow-boat companies would have the effect of limiting any tendency that way.

Q. Do you mean that the competition of the tow-boats would limit that possibility?

A. Very definitely.

THE CHAIRMAN: Q. Well, get them into the combine.

A. That was not suggested in that

recommendation.

Q. When you start a combine it is like starting an epidemic of measles. I speak with a certain amount of knowledge on the subject, and I suggest to you that if you breach the formally established policy of the Federal Government in regard to combating the effect of business mergers and monopolies in one place you might well open the floodgates.

A. I would like to offer this comment in connection with it, that that recommendation is based on the practice that has been followed in the United States.

THE CHAIRMAN: I realize that, and also there are evidences or, at least, there have been allegations in Eastern Canada, that such a thing, at any rate, was in effect, if not in effect now. Its effect on the shipping companies might have been beneficial, but there were very strong representations made that it was far from beneficial to the unfortunate shipper.

MR. GERIN-LAJOIE: That is all, Mr. Chairman.

THE CHAIRMAN: Are there further questions? Thank you very much.

MR. MUNDELL: The brief of the National Association of Marine Engineers of Canada is the next one, Mr. Chairman, and Mr. McKie is appearing.

THE CHAIRMAN: What is the brief number

MR. MUNDELL: It is brief No. 3.

SUBMISSION OF THE NATIONAL ASSOCIATION OF MARINE ENGINEERS OF CANADA.

Mr. H.B. McKie, appearing.

THE CHAIRMAN: Q. Yes, Mr. McKie?

A. Mr. Chairman, the National Association of Marine Engineers is an association of engineers serving on Canadian ships. We have a membership of about 1,500 engineers, and we have work agreements covering conditions in Newfoundland, the Maritime Provinces, the Great Lakes, and on the Pacific Coast. The brief is submitted on behalf of our members who are affected, and who will in the future be affected, by competition by British and foreign ships, if they be allowed to operate in Canada. It is on their behalf that we submitted this brief to you.

We have no further evidence to submit, except that we would wish to reiterate our position that Canadian coastal shipping be restricted to Canadian ships, and that we recommend an agreement be approached or arrived at with the United States to restrict inter-country trade in respect to Great Lakes and coastal shipping to ships of either country. That is all I wish to add, Mr. Chairman.

MR. MUNDELL: Q. May I seek clarification on one or two matters, Mr. McKie? I do not recall the second point that you mentioned a moment ago as being set out at any great length in your brief.

A. Not at great length, no, but it is in there.

Q. And you have the two propositions, that the Canadian coasting trade be limited to Canadian ships, and that Great Lakes, and I think you said "and coasting", trade between Canada and the United States be restricted to the ships of the two countries

A. That is right.

Q. By "coasting trade" you mean shipping along the coasts of the two countries?

A. Yes, along the coast of British Columbia, and between this coast and the Atlantic Coast also.

Q. You mention you have 1,500 members, and I was wondering if you could explain at a little greater length just what your members do, and who they are.

A. They are the engineers who operate the ships -- the machinery on the ships. I do not know how I can expand just what they do.

Q. All the engineer officers?

A. Yes, all the engineer officers. They are certificated personnel, licensed under the laws of Canada by the Canada Shipping Act, and their careers are built upon obtaining certificates, and improved certificates as their career develops. It is because of that that we are concerned that the operation of British ships might destroy their careers.

Q. Then, you said you had collective

bargaining agreements?

A. Yes.

Q. Those are with the shipowners, and you mentioned four regions. I was not clear on the nature of these agreements. Would you have separate agreements with each ship operator?

A. Practically, yes.

Q. Practically full coverage with all ---

A. --- all of the ship operators in Canada?

Q. Yes.

A. Not full coverage, but very close to it -- 90%.

Q. And these are agreements you will find wherever a ship operator is operating?

A. Yes.

Q. You divided it regionally, but ---

A. That was just to show the extent of it.

Q. There was no regional significance to it?

A. Not at all, no.

Q. Then, if I could just clarify this: Is the purpose of your organization, then, that it is a union to represent the ships' engineering officers?

A. That is correct.

Q. There is one other question on this aspect of it: Do you have a constant stream of new members coming in, or how is the supply of engineers?

A. The supply of marine engineers is very tight. There are not enough marine engineers, at least on this coast, to take care of the requirements on the diesel-powered ships.

Q. Does your organization include virtually all those who are now engaged in marine engineering, or as marine engineers?

A. Yes, as engineer officers.

Q. You have complete coverage on your side, but you do not cover all the ship operators, is that it?

A. That is right. We do not have an agreement with all the operators -- I might say that Imperial Oil is the exception on this coast.

Q. But their engineers are members of your Association?

A. Yes, some of them are.

Q. Some of them are?

A. Yes.

Q. If I understand your brief correctly, in the main you say that the shipping industry -- the coasting shipping industry -- should be maintained on the ground of defence; is that correct?

A. Yes, largely that.

Q. That is the main or chief ground you put it on.

A. Not the chief, but important.

Q. The second one that I find is that you suggest that shipping is more or less an essential part of the economic entity of Canada?

A. Those are the two points.

COMMISSIONER BELANGER: I thought there was another point.

Q. You said somewhere, as a point of principle, that the participation of United Kingdom ships here was a vestige of colonization?

A. That point was in the brief, but I do not just ---

Q. I thought it was the third reason, you see.

A. No, my thoughts in that respect were that the Canada Shipping Act still looks upon Canada as a colony in respect to allowing "Canadian" to be termed "British", and that therefore we could use Canadian ships. I was pointing out the use of that particular word in the Canada Shipping Act. I think it is in Section 671 which says that the ships may be British ships. We recommend it should be "Canadian" ships.

Q. But this, you say, is a vestige of colonization?

A. Yes, sir, the allowing of Canadians to be deemed British.

Q. Not only the use of the term, but the fact?

A. Yes.

Q. That is what I understood.

A. Yes, it is a point I wish to bring up. That is correct, sir.

MR. MUNDELL: Can I just follow along

the line you have opened up, sir? I am not quite clear on that one, either.

Q. Are you objecting to the sort of thing you might call a Commonwealth preference such as we have in tariff provisions as a convenient and helpful financial arrangement, and in shipping we have the Commonwealth preference? Are you objecting to the preference, or simply the term?

A. The preference.

Q. It is the substance, and not the form?

A. Yes.

Q. So when you say you want the term changed to "Canadian ships" you also want the contents changed?

A. Yes.

Q. But that is more in the nature of a proposal than a basis for putting your proposal on, is it not? I mean, you do not base it on the fact of the historical nature of the term?

A. No.

Q. It is defence and ---

A. --- and economics.

Q. On the economic entity argument, leaving aside defence for the moment, supposing the Commission came to the conclusion that the shipbuilding industry was an uneconomic industry, and the operation of Canadian ships was uneconomic, that these services could be, in a sense, imported more cheaply -- that transportation services could be obtained as an import more cheaply -- why

is it essential to the development of Canada as an economic entity to do this? Why do you take that view? For example, we cannot produce bananas, but ---

A. Well, to maintain the prosperity of any nation each of the component parts have to be prosperous, and that applies to the shipping industry -- the shipbuilding industry.

Q. But you are more interested in the operating of ships than the building of them, actually?

A. Yes.

Q. Why should we not use the cheapest steamship services that we can get? It would aid our grain and our forestry products, we are told, and so on; it would assist us in selling more of them.

A. In Canada we pay Canadian prices. Our Government has realized that to maintain the solvency of the farms it had to buy from those people their crops, and it has turned around and sold those crops to European countries. Those European countries could buy them on the world market, but we who are Canadians buy them at Canadian prices. If the Government is going to allow European countries which are subsidized by the taxes collected also from the seamen to move in and compete against the Canadian prices, then we object.

Q. Is it your argument that other people get consideration so why should not you?

A. No, we do not want to have British or Commonwealth competition. We cannot compete

against British ships operating on the Coast.

THE CHAIRMAN: Q. Why can't you?

A. Their wage scale, for example, is about one-half or two-thirds of the Canadian wage scale.

MR. MUNDELL: Q. It has been suggested before this Commission -- and, of course, I should repeat again that nobody has advanced any ideas of any findings on the matters before the Commission yet -- it has been suggested before this Commission, for example, that Canadian employees by their wages are pricing the shipping industry out of existence. Now, what would you say to that?

A. That is a red herring we have heard of for many years. We have heard that wages have been pricing everything out of business. In 1946 we heard it; we heard it again in 1947, and we heard it again in 1948, and we find that Canadian prosperity is increasing right along. I can take you back to the day of Charles Dickens, where in "The Old Curiosity Shop" he points out where the steel manufacturers were protesting against the law against child labour, and they said it was chaotic; they would be ruined; they would be priced out of the business, and in 1955 we have this same story.

Q. May it not be this, though, that the increase in wages, and so on, is justifiable in industries which in other respects are highly productive, but where you get into the shipping industry it may be a different case? I am just suggesting

this to you, and I am wanting your comments on this question; Why should not the shipping industry be let go to the wall?

A. Because Canada needs ships. We have to have ships to maintain Canada.

MR. MUNDELL: I am not talking about the defence argument now.

THE CHAIRMAN: Q. No, no. We have all of the United Kingdom ships we want.

A. Yes, and we have Canadian ships, and we have Canadians who have been trained in a career, and who have been requested by the Canada Shipping Act to take up that career and advance themselves. Now, we cannot throw them to the wolves. If they are operating within the Canadian economy they are entitled to charge Canadian prices.

Q. If they are competing in the world, and if somebody is able to do the job a great deal more cheaply than they are able to do it? It was suggested in Winnipeg that under those circumstances they could go out and do the job that they could do better than anybody else, and there are plenty of those jobs.

A. I would say that if cheapness of operation was the criterion China would be the most prosperous country in the world, followed by other Asian countries; Britain would be very high, and America would be bankrupt and poverty-stricken.

Q. That is because the workers are able to produce in those industries, and it would appear

they are not able to produce in the shipbuilding and ship operating industry.

Q. I would dispute that. The figures of Canadian ships on this coast have been outstanding. We have done a big job and a necessary job.

Q. Yes, but those were the days when cost was a thing of secondary consideration. In these days dollars and cents count, and the Englishman is able to put a ship out for about 55% of the price quoted right here in the City of Vancouver, and the Englishman's wages, as you say, are a fraction of it. Now, they are doing a job apart from defence. What reason is there why you could not be employing yourselves in a task where your productive energy and ability will earn, by producing, the wages which are the general wages throughout Canada?

A. Well, our wages are what they are, and they stand to be threatened by British ships.

Q. And I repeat that that is because the Englishman is doing it more cheaply now, and you cannot do it more cheaply at your wage level.

A. That is quite true.

Q. So the suggestion was made that they should go out and work at a task where they can earn their wage.

MR. MUNDELL: Competitively.

THE CHAIRMAN: Yes.

THE WITNESS: You cannot live on this coast on British wages.

THE CHAIRMAN: Q. I am not talking about

living on British wages, I am speaking about working at a task where you could produce enough to justify paying you the wages that are the current wages in Canada.

A. Are you suggesting scrapping the entire industry?

Q. That is what has been suggested. If they cannot succeed the proposition made was that they should be scrapped -- that they have scrapped themselves, in fact.

MR. MUNDELL: I do not think that we have actually heard that they have scrapped themselves, Mr. Chairman.

THE CHAIRMAN: Q. As a matter of fact, the man making the argument claimed you were not in such an inferior bargaining position as you imagine by a long, long way, and there was produced a very sound argument, which you can obtain from the Reporters and go over it, to show that, but it was said that if you insist you are in that position then you should not be in that position in this young and productive country. There are other industries where you could be employed. Am I putting it correctly?

MR. MUNDELL: Yes, but I was asking for Mr. McKie's comments on the question: Why should not the shipping industry be let go to the wall? That is putting it in an unsympathetic way.

THE WITNESS: The jobs and the careers, as I pointed out, of many of our members are estab-

lished as careers because the Canada Shipping Act has demanded it that way, and when it gets to a certain point is it to be scrapped by the same Government?

MR. MUNDELL: Q. Supposing it was established before the Commission that the foreign markets of the forestry industry would be seriously affected, and that the grain market of the Western Prairies would be seriously affected and we would lose foreign markets and immense export sales, would you say that the jobs of your 1,500 members would justify a policy that advocated something of that kind?

A. I would not be so selfish as to say that.

Q. That is weighting it a little against you; I am sorry.

A. I would say that that is a red herring, as I have said before. You mention the forestry industry there. We have heard that talk for several years now, and last year was a record-breaking year for them.

Q. Take the very much more clear-cut case as it is put before the Commission. You are advocating this policy across the country in all regions. It would affect the Great Lakes, for example, and it is said, taking the St. Lawrence Seaway into account, that the Seaway will save from five to six cents, if there is open competition, on the price of wheat. I do not know what the export figures are for wheat, but it is something

like 300,000,000 bushels of wheat, and that would add up to a very considerable sum in the way of export business. That would be coming back here because we would not be paying it out. It is things of that magnitude with which you have to compare the problem, but what I was trying to get at is: Have you anything to say, apart from the defence of your own profession in the ecoonomic entity argument, why we should pay for more expensive services when we can get them more cheaply?

A. To maintain a prosperous home market. The United States has built up a prosperous home market for their products, and Canada can do the same thing, but not by undermining the wages.

Q. I do not think the suggestion was to reduce wages; I think the suggestion was to close up the industry.

A. That would increase the unemployment problem.

Q. There would be an adjustment, but, as the Chairman has said, the suggestion was that it would be better to have people move over to industries where the productivity supports a higher rate of wage. However, I think we have been talking on this point long enough. The second point is in regard to defence. Have you any idea -- this may be an unfair question -- have you any idea of the quantity of shipping, for example, that is necessary to maintain a nucleus of ships' officers in Canada? Can you give the Commission any idea?

A. Coast-wise?

Q. Well, generally. You are including the coast-wise ---

A. Yes. Well, we have 1,500 members, and you might say there is approximately that number of deck officers. A total of 3,000 officers all told.

Q. Well, now, do you think that is sufficient, or have you too many?

A. It maintains the present Canadian coastal fleet and what is left of the deep-water fleet. There is no surplus.

Q. Do you know of any estimate that has ever been made of the number of ships' officers that should be maintained in Canada as an appropriate nucleus for defence purposes? Let me explain that a little and try to make myself more clear. The Canadian Maritime Commission says, in an estimate given some years ago, that the Canadian shipbuilding industry should have at least 7,000 people employed. Do you know of any similar calculation with respect to ships' officers?

A. Yes, the same Commission said fifty ships with roughly ten per ship.

Q. That would be 500?

A. Yes, 500 for the deep-water fleet.

Q. But having regard to the fact that we have such a small deep-water fleet now it would have to be made up ---

A. It has been stagnant -- it has been around 3,000 for the last few years. That is,

both deck and engine room officers.

Q. You represent ships' officers across the country. Has your Association given consideration to the problems of Newfoundland in your recommendation?

A. Yes, we do have one agreement now with the Blue Peter, Blue Cloud and Blue Seal ships.

Q. If it is your recommendation that only Canadian ships be engaged in the coasting trade in Canada, and if it is adopted, the Commission has been told that that would penalize Newfoundland very heavily, and force some of their industries out of business. Has your Association given consideration to that problem?

A. It just points up what I have pointed out, and will again. Newfoundland was the most poverty-stricken province in Canada because the wage scale there was the lowest, and until they have worked themselves up to the same figure as elsewhere they will still be the poorest.

THE CHAIRMAN: Q. Is it your theory of economics that a very large wage should be distributed, and that very large wage will create a purchasing power, and the purchasing power will bring prosperity, and that that is the way the pump should be primed?

A. Yes.

Q. And you can do that on a desert as well as any other place?

A. You can do it in this country.

Q. Have you ever been to parts of the Province of Newfoundland, Mr. McKie?

A. No, just Gander.

MR. MUNDELL: Q. For example, they have at great expense to the Government and by perseverance and negotiation established certain industries in Newfoundland such as the gypsum industry which finds itself open to acquire markets in Nova Scotia. It was said to the Commission that if any element of their cost was raised that industry would just close up and not sell its products. That is one example, and they have a number of that kind in Newfoundland. Your Association is prepared to clamp this down on Newfoundland without considering the Newfoundland problem?

A. There are always marginal problems. They come and go.

Q. The suggestion before the Commission is that shipping is the marginal operation, and it may be a preferance between the two.

A. It is not marginal within itself in Canada.

Q. It is marginal in relation to United Kingdom shipping. That is what you say?

A. Yes, that is right.

Q. So you should push the margin back a bit?

A. That is right.

Q. Again, the same question arises with respect to the representations on behalf of the

Western producers. They say that if this restriction is put on shipping it will inevitably take, maybe, from five to six cents out of their pockets in order to maintain the shipbuilding industries. Your Association is prepared to accept that, I take it?

A. Why, certainly. The Americans have a highly subsidized shipping industry. We are not advocating a subsidy, but they point out that their return from the subsidy more than replaces the subsidy in revenue from income tax and sales tax and the various by-products of a prosperous industry within the country.

Q. Where is this advocated?

A. I think it was in last month's "Oil Engine", which is one of the American marine magazines.

Q. I wonder if you could give the Commission the reference, because if there are calculations and figures it would be helpful.

A. I believe it was an article by one of the Senators of the United States. I have not that with me, but I can furnish it for you.

MR. MUNDELL: Well, perhaps you can give us the reference. I am sorry, Mr. Chairman, for hopping across the country, but this is a representation made on behalf of a national organization, and it includes the British Columbia interests.

THE CHAIRMAN: I do not think your query has been answered. You referred to the Western producer -- and you mean the Prairie producer -- of

wheat who had to sell in a world market, and who has been having a great deal of difficulty in late years getting rid of the crop, and very definitely any increase in the cost of transportation to the Great Lakes ports of that wheat crop cannot be recovered from the purchaser. They are having difficulty in getting the present prices for it. It will, therefore, go back to the producer, and it will be the Western wheat farmer, who, in fact, will pay the subsidy for the maintenance of the Canadian shipbuilding and ship operating industry. That is exactly what it amounts to.

MR. MUNDELL: Q. I thought you said you were prepared to accept that?

A. Oh, yes. We are now subsidizing the Canadian farmer.

COMMISSIONER WICKWIRE: Q. Who is the "we"?

A. The Canadian taxpayers.

Q. You do not suggest that we in Canada eat 500,000,000 bushels of wheat?

A. No, but I could suggest it would be better to let more cattle graze on the Prairies, and get more beefsteaks.

Q. And not send any of them away?

A. You would not have to.

MR. MUNDELL: Q. That brings me to the next query. You said you do not advocate subsidies?

A. We never entered into the discussion at all.

Q. Would it not seem, in the light of the complaints from Newfoundland and the Western grain growers, that if the defence argument is valid, and some assistance is to be given to the shipbuilding industry, it should be done rather by a restriction than by a subsidy payable out of the National Treasury bearing equally on everybody, particularly in view of your suggestion of a moment ago that they are recovered?

A. If the Government wishes to provide steamship services to isolated communities they may have to subsidize those services. It should not be subsidized by the crew of the vessels.

Q. Let me put it this way: You represent the operating personnel and not the shipyards, but one of the difficulties, it is said, which exists in Canadian vessels or vessels operated by Canadians competing with foreign vessels is the high capital cost, and the other is the wage cost. Supposing the Government subsidizes the construction of Canadian shipping to assist the Canadian shipyards, and that that is of sufficient assistance to the operators that they can go on operating, would you accept that as an alternative to the restrictions you propose? In other words ---

A. Yes, providing it is such that our wage structures are not jeopardized by unrestricted shipping. Will that subsidy you speak of reach that point?

Q. In other words, you are not objecting

to restrictions just as restrictions?

A. No.

Q. Now, the other alternative suggestion which has been put forward is that of the Australian scheme, that it be adopted. That is a scheme whereby any foreign operating in the coasting trade would be required to pay the Canadian wage scales. Would that be an acceptable alternative to your ---

A. Yes, I think that would be acceptable. That has not been discussed, but I see no reason why it should not be.

Q. What I am trying to ascertain is whether your organization is advocating restrictions --

A. From an economic point of view, yes.

Q. But it would accept other alternatives?

A. Yes, from an economic point of view.

Q. There is one small question in relation to your brief. At the bottom of page 2 in the printed version, B.3 and the top of page 3, you have two enumerated paragraphs put out in quotations, and I was wondering if you could identify the source of those quotations?

A. The Canada Shipping Act.

Q. No, I am sorry. I have a different printing; it is this portion (indicating).

A. That is our recommendation.

MR. MUNDELL: I see. I just wondered. Thank you very much; that is all I have to ask.

COMMISSIONER WICKWIRE: Mr. McKie, if we accept your view in toto there is not much sense

in having spent several hundreds of millions of dollars for the deepening of the St. Lawrence Seaway is there?

A. I do not see why.

Q. Well, there will be enough trade within Canada, will there, to maintain us all, to maintain everybody?

A. Well, I would say the St. Lawrence Seaway being built would allow deep-water ships to come right up into the ports.

Q. But what are they coming into the ports for?

A. Wheat or whatever it might be.

Q. But I thought we were going to consume all the wheat in Canada and there would be none for export.

A. Our suggestion was that the restriction should be an inter-Canadian port restriction. We do not refer to importations coming into Canadian ports by deep-water ships from, for instance, U.K. ports.

THE CHAIRMAN: You referred in your opening to the proposed treaty between Canada and the United States, and when I look at page 4 of the printed brief in the third paragraph I notice that the proposal which you make is a treaty covering all coasting trade between any place in Canada and any place in the United States. You probably know that the Dominion Marine Association, who first brought forward this proposal, had their proposal limited to the Great Lakes and St. Lawrence waters

where there were no difficulties about travelling from, let us say, Seven Islands to Cleveland, travelling every foot of it in territorial waters, the international boundary going roughly down the middle; but you would seem to extend it to a trip from Kitimat to one of the places like Tacoma in Washington. So that you are proposing that these two countries limit their whole coastal trade between the two countries to ships of one registry or the other.

A. That is right. We had a shipping firm here operating between Ocean Falls and San Francisco in the paper trade, and that vessel was, just after the war, supplanted by a Norwegian ship. Now that was a company of Canadian resources paying Canadian wages, charging, you might say, Canadian prices, selling to the American market and using Norwegian transportation. They may have saved the amount of six cents, or the equivalent, on a bushel of wheat by using a Norwegian ship, but the total economic loss to Canada, or to the United States if it is an American ship, is the entire cost of operating the ship. If it was a Canadian crew on there, they would more than pay in income tax and sales tax on their purchases, and in the cost of maintaining their homes and families, the difference in the cost of operating the ship, and it would be of economic advantage to Canada.

Q. And it having been replaced by a Norwegian ship, they must then retire to unemployment when we not only do not have the advantage of the

income tax on their incomes, but we must pay unemployment insurance. Well, I understand your submission.

Are there any further questions?

MR. WRIGHT: Mr. McKie, would you look at the second last paragraph of your brief which reads, "Canadian airlines are protected to the extent that foreign aircraft cannot transport passengers or goods from one port in Canada to another port in Canada". Would you just tell me the basis for that statement?

A. Well, B.O.A.C., for example, cannot carry passengers between Victoria and Vancouver.

Q. I am just asking you why that is so.

A. Why it is so?

Q. Yes, what is the basis for that statement?

A. Well, I do not know why it is so. That is the way it is.

Q. You do not know the reason for it?

A. No.

MR. MUNDELL: There is one thing I should have mentioned, Mr. Chairman, and that is in connection with the treaty proposal: This matter was before the United States Congress or the United States Senate -- one branch of the United States Congress, in any event -- but no action was taken in relation to a treaty of that nature. I believe -- and I speak subject to correction -- that the administration has since indicated that it is not proposing to follow it up. I mention that simply because I did not put in too much time on that

aspect of the proposal.

THE CHAIRMAN: Thank you, Mr. McKie.

SUBMISSION OF V~~ICTORIA~~ancouver, NEW WESTMINSTER AND DISTRICT METAL TRADES COUNCIL. VICTORIA & DISTRICT METAL TRADES COUNCIL. SHIPYARD GENERAL WORKERS FEDERATION.

Mr. John W. Bruce, appearing.

MR. MUNDELL: This is a submission by the Vancouver, New Westminister and District Metal Trades Council, the Victoria and District Metal Trades Council, and the Shipyard General Workers Federation, and the number of the brief is B.36.

MR. BRUCE: Mr. Chairman and members of the Commission, on the final page of our brief we summarize the things that we are of the opinion would be essential in order to try and correct the conditions which we see existing in this Dominion, and particularly in the shipbuilding industry. Our conclusion from the above analysis is that the minimum measure which would contribute to the prosperity of the maritime industry on this coast is an Act to restrict the coastal trade to vessels built, owned and registered in Canada. In addition, we would propose that encouragement be given to the building of vessels for the foreign service by means of subsidy based upon the excess of Canadian over United Kingdom shipbuilding costs. We would also propose that shipbuilding orders under such subsidy be made subject to competitive bids, and that, if it can be shown that those on the West Coast are higher

than those of Eastern yards, an allowance be made for such difference in determining the successful bidder. Thirdly, we would propose that all Government assistance to shipowners, whether in the form of operating subsidies such as those now given for certain coastal operations, or for the building of new ships, be conditional upon a provision that all repairs to such vessels be carried out in Canadian yards.

Finally, we would recommend to the Commission a review of the effect of the Government's trade policies upon the volume of our exports to and imports from the nation's of the Far East and on the Trans Pacific shipping from British Columbia ports.

Perhaps I can realize some of the conditions with which you are confronted. I happened to be a member of the Royal Commission which studied the position in Canadian industries after the first war, under the chairmanship of Chief Justice Mathers. We were faced with a similar situation in studying the conditions prevailing due to the tempo of employment that had been established because of the war, and the centralization of effort in the shipbuilding industry, and then seeing the whole industry go into decline immediately after the war. In our report at that time we were dealing practically from the position of those who were employed.

Now we have created a new situation because failure to maintain the merchant marine and

the shipbuilding industry cannot be attributed to lack of trade. Canadian exports have increased steadily throughout this whole period, both dollar-wise and in terms of physical volume. Exports shipped from the Pacific Coast ports have grown in volume from year to year, from a total of 3,195,358 tons in 1945 to 4,301,475 tons in 1946 and 8,871,878 in 1953. We also find that in the period as between 1946 and 1953, in 1946 Canada and the United Kingdom had a registry of 65.4% of the Pacific Coast cargoes, and in 1953 they only had 52.5%. Probably the Commonwealth agreement had some effect upon that situation.

The policies advocated in this brief are founded upon the premise that the basis existing for a healthy and prosperous Canadian maritime industry is that we have a foreign trade on a large and expanding scale. We have a large and growing coastal trade which gives rise to the need for repairs and replacements of vessels as well as the building or acquiring of new vessels for the expanding trade.

In seeking to suggest to your Commission some measure of protection or subsidy, no matter how it might be worded, because that would be determined by legislative action based upon the findings of your Commission, we find that Canada has leaned over backwards in its interpretation of the implications of the Commonwealth agreement, for, while accepting for British ships equal rights with our own, other Commonwealth countries such

as Australia and New Zealand, require such ships to conform to local wage and manning conditions and only Canada permits the competitive advantage of sub-standard wages.

In reading these main points it is just to direct your attention to those particular points that we feel are the dominating points in our thinking, in trying to work out some solution to this serious problem.

Information received by us from the Register of Shipping indicates that in the nine post-war years a total of 307 vessels of 82,881,068 gross tons have been imported into British Columbia. The replacement cost of these vessels is estimated at $53,519,000. Of this total 34,392,000 tons, of a replacement cost of $19,133,000 were imported between July 1st, 1950 and August 15th, 1954. Since the volume of work has maintained an average employment during three years of approximately 4,000 men, it appears that an additional $53,000,000 of shipbuilding would have represented about half as much work, and hence about 2,000 jobs may have been lost through these imports.

It is no good disguising the fact that in most of these countries, from our observations, there are protective features. In Britain there is the long-term, low interest loans to assist in the financing of construction; Admiralty bounties by means of which the Government pay for the features of vessels included for national defence; accelerated depreciation for income tax purposes

amounting to as much as 40% in the first year, and losses may be averaged with profits over a six-year period for income tax computation. In addition to the construction differential subsidy the United States Government pays directly for any national defence feature of the vessels. Moreover, the portion of the price of the vessels that is borne by the owner is financed on the basis of a down payment amounting to 25% of the cost, with the remainder amortized over twenty years at 3½%. It would appear that Australia and the United States have faced the problem in a realistic way, realizing that the maintenance of a merchant marine under existing cost conditions implies extensive Government assistance. It would appear that Canada, on the other hand, pays lip service to the principle of maintaining the maritime industries, but fails to face up to the requirements of such a policy in realistic terms.

It is, of course, important to bear in mind that anything that reduces the amount of shipping from this coast, whether in Canadian or foreign bottoms, is likely to affect the employment not only among seamen, but in the shipyard and ancillary services. We are confronted at the moment with the great human problem of finding employment. As I say, I know something of the problem, because I was on several of the committees of the Government during the war. I was one of those who went across this country encouraging men of my own particular trade -- that is in the pipe fitting

industry and in the other industries -- to accept employment here on this particular coast. You are probably well aware that the Government made great efforts to try and do something to bring the situation into complete focus with general industrial conditions. There was the late Honourable Mr. Justice Richards Commission here, and the Honourable Mr. Justice Savard and Mr. Justice Cousineau, whose Commissions in Quebec and Eastern Canada attempted to work out formulae by which there would be encouragement for men to forsake the general industries of this country and go into the art of defence and build those ships that we were requiring at that moment.

In this area at the present time we have probably 12,500 members who were trained and are skilled in the operation of these yards. When you look at the problem we ourselves have got to be conscious that with such a tremendous borderline as Canada has it is absolutely essential for defence purposes that something be maintained in the way of a permanent type of industry rather than to start and build in the haphazard way we did in the First World War and in the Second World War.

Today, while we induce numbers of men to come from the Prairies and industrial Ontario to accept employment in the shipyards, offering them many advantages, we are also confronted at the same time with securing men to build up rubber industry. Of course, as some of you may know, I

happen to be a Director on the Polymer Corporation operating that industry. It is a very profitable industry and it has turned out wonderfully because they have been able not only to meet all of their costs, but they have been able to pay substantial returns to the Government, and in addition have been able to keep a steady supply of labour because of the demand for that particular product. But here, while there is a demand for the product, we find firms like the Canadian Pacific going abroad and building ships. While they are cheaper in some respects we cannot overlook the fact that when they are buying those ships from Britain our Government is also losing from the standpoint that they are receiving no income tax from the people who are building them, and they are receiving no regular tax on the commodities with which such ships are being built. Therefore, with a country like ours, so dependent upon shipping, we are of the opinion that we should have some measure of protection.

I have been present at a number of the hearings of this Commission, and I was present at the openings in Ottawa when there was a previous submission made on behalf of the general conditions for the labour movement of this country. It is apparent from all of the evidence that has so far been submitted by those who should know that the shipyards in this country cannot survive if they do not receive support. Lack of demand for their services by Canadian shipping interests is a

tremendous factor, and we cannot ignore the fact right at this moment that, while somebody said we could let these shipyards go to the wall, at the moment if it was not for the Government's program of defence that is what might happen to some of our shipyards, that they might have to go to the wall. We see now that they are reduced to three yards, and they are unable to employ any more than a round number of about 3,000 men within their operations. I am of the opinion that it is a serious problem when you look at it from the point of view that at the high point we had over 19,000 men working in this area, and recent figures show that it is down to around 3,400. Of course, we have a number of men who are employed in the naval dockyard at Esquimalt, who enter into this picture. They are doing maintenance service which, in the opinions of some of us, might be more effectively done if it was given over to the yards to help keep them in operation.

We can look at it in this way: Nobody can rob Canada of the glorious name it made in the war, not only for its shipyard products, but for all types of products, and how our efforts were of such tremendous value in winning the war. No one can rob Canada of that historic development, and shipbuilding played an important part in that -- a very important part. As I said a moment ago, I was associated with all of those, both at Ottawa and at these different points, in trying to secure men to fill the positions that were necessary.

True, it is a great moral and economic issue. I have heard you, Mr. Chairman, ask certain questions of men who have appeared before you, but there is none of us in my judgment who has got the solution.

Canada is growing tremendously. It is important that we have employment opportunities for men; it is vitally important from the standpoint of defence that we do not have to secure men in a haphazard fashion, because the cost of building ships, even though the Government absorbed it in the early stages of the war, was tremdously high. We taught men new trades; we were able to bring in men who were semi-skilled and adjust them to the situation that existed, and then arising out of that after having five, six or seven years of training in the yards those men now have to try and find other avenues of employment. I do not know how long Canada could survive on what might be termed somewhat of a haphazard policy. If defence is essential, then it is essential for our Government to maintain yards which will be commensurate with the requirements of defence, and the proper number of trained men to carry on the industry.

Therefore, under those conditions we feel that there is plenty of scope for your Commission, and plenty for our Government, to meet the conditions which we are fearing, that is, of unemployment.

I would like to read, if it is permissible, part of the text which was submitted to the

Dominion Government on shipbuilding and ship repairing out of a document that was prepared by one of our units. I did not know until today, but I have been informed that it has been plagiarized and copied and submitted as a report from one of our units in Eastern Canada.

MR. MUNDELL: I suppose it is still a good document, though?

MR. BRUCE: Oh, it is a good document, sure. We are proud of the fact that they plagiarized it because they must have thought well of it. Is it permissible to read this, Mr. Chairman?

THE CHAIRMAN: Yes.

MR. BRUCE: "Unlike the United States, the "Dominion permits British-built ships to "engage in any division of its coasting trade, "with or without being registered in Canada, "and such ships may be imported by Canadian "owners free of duty. Foreign-built "vessels are, however, subject to a 25% "tariff, which constitutes protection to the "British shipbuilder but leaves the Canad-"ian shipbuilder unprotected, since the "British market is invariably cheaper than "the Canadian. On both coasts the facili-"ties exist to construct any type of ship "required. Since they have been estab-"lished, it can be frankly stated that "British shipbuilders with lower costs of "construction have taken much of their

"business away from the Canadian yards, leav-
"ing them to exist on repair work, overhaul
"and the building of Canadian Government craft.
"Canada cannot hope to compete with British
"or foreign shipyards without some measure
"of assistance. The strict reservation of the
"Canadian coasting trade to Canadian-built,
"Canadian-owned and Canadian-registered vessels
"is the basis upon which a domestic shipbuild-
"ing industry can be maintained and operated.
"Furthermore it would provide a foundation for
"Canadian shipping ventures into overseas
"trade, particularly into those channels that
"were developed long ago and which have sprung
"into importance in recent years, that is
"the West Indies, Mexico, Central America,
"South America, New Zealand and Australia.
"Encouragement of Canadian shipowners to main-
"tain services to these countries with
"Canadian-built ships, manned by Canadian
"seamen, is a worthy objective consistent
"with the traditions established in our past
"maritime history, but the root-stem of any
"such development should be created in the
"form of a protected coastal shipping. Based
"on the experience gained in past years, it
"can be conclusively stated that unless
"a modicum of domestic shipbuilding is pro-
"vided, by the means suggested, to maintain
"skilled shipyard personnel and upkeep of

"the yards in post-war years, these facilities "will deteriorate in value and efficiency and "the carrying out of vital repair work, econ-"omically and expeditiously, will be seriously "prejudiced. It should be further noted "that engineers for Canadian ships are drawn "from men who have served their time in the "shipyards. Unless young Canadians are pro-"vided with the means of such training, there "will be little incentive to embark upon such "a career.

"It is desired to refer to the status "of Canadian Government-owned vessels engaged "in commercial shipping business. For many "years and up to the opening of the present "war, the Canadian National Steamships, and "before them well-known British steamship in-"terests, operated with subsidy assistance a "first-class passenger and cargo carrying "service between Canadian Atlantic ports "and the West Indies and South America to the "very considerable benefit of Canadian "trade. This Government-owned company "also owned and operated a fleet of high-"class passenger vessels out of British "Columbia ports. These vessels were all "built in British shipyards and it is de-"sired to emphasize that in present cir-"cumstances Canadian shipyards are fully "qualified to undertake shipbuilding of

"even this high class, and since these vessels "have operated with subsidy assistance emana-"ting from the Canadian people, it should be "conceded that the replacements which will be "desirable to re-establish and augment these "services in the post-war period should be "undertaken by Canadian labour and resources.

"It is also desired to refer to the "status of foreign-going vessels owned and "operated by the Canadian Pacific Railway. "This Company occupies a unique and proud "position in marine transportation, and it "must not be lost sight of that it is exposed "to an all-world competition in the operating "of its various foreign services. That it has "been so highly successful is both an indica-"tion of capable management and an example "of what can be achieved in the world's ship-"ping business by Canadian interests.

"Nevertheless, whilst deriving its "support and much of its revenue from sources "within the Dominion of Canada, its policy "as regards shipbuilding, ship repair and "ship operating has done little to encour-"age the development of the Canadian inter-"ests involved.

"The Canadian Pacific Railway has an "enormous investment in Canada. To increase "the return from that investment, it would "appear logical that the company do all

"within its power to encourage and ensure the "permanence of Canadian industries. The "Canadian shipbuilding industry has proved its "resourcefulness and skill in the course of "two great world wars. Its record, since steel "shipbuilding was first established in Canada, "has revealed its ability to construct and "equip the class of ships required in the "inland and coastal services of the Canadian "Pacific, and it is now well qualified to "undertake the construction of their foreign-"going cargo ships.

"It is desired to emphasize that the "Canadian Pacific Railway is in a position to "make a significant contribution to the main-"tenance of a post-war shipping and ship re-"pairing industry in Canada, provided such "assistance will be forthcoming as will enable "such a policy to be adopted in a manner as "will not adversely affect the competitive "position of the Company in the sphere of "world transportation.

"There are other Canadian transporta-"tion interests operating in the foreign "trade, to which the foregoing also applies "in some measure, and it is suggested that "an adequate shipping policy should be "studied and determined with the least "possible delay, since the changing condi-"tions of world trade which are likely to

"ensue in the post-war era probably will per-
"mit considerable growth under favourable
"conditions."

That was written in 1944 and apparently the situation has not been changed, otherwise your Commission would not have the duties to perform which you are performing now, but as I said at the moment it is a great moral and economic issue so far as the workers of this country are concerned. We are not attempting to be critical. We are attempting, at least, to try and analyse and formulate a policy which might be constructive in assisting us to find employment for those who are here and for those who are skilled in this industry.

When we look at the present situation, and the unemployment situation that confronted us last year, and the probability that we are going to face further unemployment situations in this coming year despite all of our high production and despite all of the distribution that has taken place, it warrants everyone, including Governments, trying to find sources of employment within its own borders, doing the work that is essential for its economic development. If ships are necessary for the economic development of Canada, in my judgment and in the judgment of our group, they should be built here in the Dominion of Canada, where the Government would receive taxation from the men, and the companies also would have to pay taxes to maintain Government, and, under those conditions, keep our

economy upon a sound basis.

The United States has found it decidedly essential to carry out that type of policy. Whether it is a success or not, I am not here to say, but at least it is solving some of their problems and keeping a number of their shipyards open. I happened to sit in on an investigation by the Maritime Commission in San Francisco in October when they were dealing with this self-same problem with which you are confronted now.

It is tragic to think that if we are dependent upon shipbuilding, we have to go to foreign countries. Take, for instance, the boat that is travelling to Nanaimo now, the ferry which was brought here by the Canadian Pacific. I am reliably informed that the difference was about one million dollars. The company saved that million dollars but the country lost, and the men of this country lost work opportunities and the Government lost the opportunity to have made more than that one million dollars. I am not one of those who is looking for something for nothing, but even the matter of a few cents on a ticket per head would have retained that boat in this area and would have found employment for a large number of our men. The situation at the moment has not been brought so very clearly before you: if it was not for that defence program, as I said a moment ago, which is in operation in these shipyards, as somebody said, they might go to the wall. It would be tragic

to think that we are so indifferent to the success of our own industries that some Government agency would not find means by which we could maintain the industry in full working order. After the First World War there were many of us who thought that arising out of the League of Nations we had solved the problem of war, and that there would be no more war. That illusion was dispelled. After the last war they formed the United Nations, and the hope is again being expressed that there may be no more war. I wish that were possible but I am doubting if that may come around in my generation or perhaps in our generation because of the warlike conditions existing in various countries. We are putting in a DEW line right around the Arctic Circle, and we are putting other ones further down, all for the purpose of detection, believing that attack will be from the air, but we are making no effort whatever to protect those essential industries which will be immediately called into account in the event of another war. Take these boats which are now being built of an experimental nature: if they are a success more of them will have to be built, and therefore I am firmly of the opinion that the representations that we have made to you have been made to you with the hope that something may be worked out that will bring success to this particular industry and find employment opportunities for the men of our particular trades and success to the operation of the yards.

THE CHAIRMAN: Thank you, Mr. Bruce.

We will take a ten minute recess.

---A short recess.

MR. MUNDELL: Q. Mr. Bruce, there are one or two questions I should like to ask you if I may. What trades are represented by the Unions that are putting forward these submissions?

A. The shipyard labourers, the boilermakers, sheet metal workers, electricians, pipefitters and plumbers.

Q. They are all employed in the shipyards, are they?

A. All employed in the shipyards.

Q. Do you represent seamen?

A. No, no.

Q. Stevedores?

A. No, only the mechanical trades.

Q. Actually in the shipyards?

A. Yes.

Q. Your interest, then, in the main lies in shipbuilding?

A. Shipbuilding.

Q. Now then, I think I will go through your brief, if I may, and ask you one or two questions ---

A. Absolutely.

Q. --- of fact in connection with it, and one or two expressions of opinion. At the bottoms of page 1, B-36. At the bottom of page 1 you state, "Five West Coast shipyards have been closed down." What five West Coast shipyards have been closed, and who are they?

A. They are the Prince Rupert, the South

Burrard, the Pacific Shipyard and one here on Burrard, The West Coast Shipyard.

Q. That is four?

A. Four, and Yarrows, pardon me, Yarrows No. 2.

Q. At the top of page 2 at the second paragraph you mention certain figures on growth of trade and so forth. Can you give the figures for the year 1939 and presently in relation to shipyard employment of your trades?

A. At the present time here -- at the moment it would be approximately about 3,000. In 1939 ---

THE CHAIRMAN: Q. What do you mean by "here"?

A. Vancouver and Victoria, in the three shipyards which were operating.

Q. The three Pacific shipyards?

A. Yes.

Q. About 3,400?

A. Between -- that would be the outside, Mr. Chairman.

MR. MUNDELL: Q. Just on that question, do you represent all the shipyard employees other than the office staff?

A. I am authorized to speak for them. I only represent the plumbers and steamfitters.

Q. Do the parties making these submissions include all employees?

A. Yes, all the employees except the official staffs and draftsmen and ---

Q. And that is presently around 3,400. Can you give us the 1939 figure offhand?

A. Not offhand I can't give the 1939 figure. It was only about 1,200 -- less than that, 700. It is in the brief.

Q. Where is that?

A. Or it is in the Trades and Congress brief, the one that was in Ottawa.

Q. At any rate, that is available to the Commission?

A. Yes, they are available somewhere in either the one from the Congress or in this particular brief.

Q. I was not sure whether the West Coast figure was available, but I have no doubt we can obtain it. Now then ---

A. In 1939 there were 968 on the West Coast and 3,491 in Canada.

Q. What is the source of that figure?

A. The source is the "Shipbuilding Industry, Department of Trade and Commerce,D.B.S., Ottawa".

Q. Now then, I would like to get it clear as to the basis upon which you state that the shipyards should receive protection and/or assistance. Is it solely defence, or have you any other consideration in mind?

A. Well, not solely defence. It is essential for defence, but it is to find employment for the men in -- we are an exporting and importing

nation. We require shipyard services.

Q. Supposing the shipyard services, for reasons other than defence, were considerably less than defence, why would you ask that they be maintained, apart from defence?

A. Well, we are not oblivious to the fact of the millions of dollars in capitalization that is sunk in this industry, and if they go out of commission it is a tremendous loss not only to those who have built up the industry, but it is a tremendous loss to the worker and for the men who have been employed in that industry.

Q. If a condition of full employment existed and was to exist for the next few years so that a transition could be made from the shipbuilding industry to another industry that would answer that difficulty?

A. It would help because you can't ignore the fact that all these thousands working in the shipyards, they have now been displaced or some of them are -- have built a home and made a residence out here, even though they came from the Prairies, and they are still available and have their skills, and in time they were accepted into general industry.

Q. And if that should happen, leaving aside the hardship that would necessarily occur during the transition, might it not be the sounder thing, apart from the defence requirements, to make that transition into a more practical

productive industry in the case of Canada and take our services from some other more productive shipyard?

A. I will agree with that, sure. That is sound principle but that is sound logic.

Q. Really you would put it on defence?

A. Yes, it is essential for defence. We have found that in two wars.

Q. The second question I would like to ask and the final question is as to the size. Do you have any idea as to what would be a proper defence nucleus, or is that a matter that you feel would have to be left?

A. We are not in a position to judge and we believe there are competent authorities in this country who can determine what was required for defence and what was required for general industry.

Q. I quite agree it is a very difficult question. I just thought in view of your long and very distinguished service in the labour movement, I wondered if you could give the Commission some information on the question of size. It is said we should have a nucleus for defence, maintaining the basic skills and key men. How long do you think it takes you to train a man, say, in your own union, to be sufficiently skillful to operate in a shipyard?

A. Anything from four to five years.

Q. Would that --

A. But you see welding, which is now an

important factor, you can learn in less time, and welding is playing an important part in industry and therefore welders can be trained to be very competent within a year.

Q. How far are those skills interchangeable with other industries where they might be developed and maintained?

A. That is very difficult. In some industries, particularly my own trade, we have no difficulty in going into shipyards and also going into the oil industry and going into the paper industry, or any of these large industrial developments that have taken place such as Kitimat and all of these pulp mills up and down the coast. We can be absorbed. Electricians can be absorbed, but the iron worker and boiler-maker, he is the one that has to suffer the most.

Q. And presumably in time of emergency those who may be absorbed can be pulled back and be useful within a very short time?

A. They can, but it is rather difficult to get men, once they have become rehabilitated. They get down and if they have had a period of unemployment or had a period of disappointment in an industry and then they start elsewhere, it is very difficult to get them up-rooted and take them into essential work or change their residence because a tremendous amount of different men change residences.

Q. I was thinking of in time of emergency

when possibly the next time we will not have very much choice.

A. That is one of the dangers that we are visualizing. We will not have much choice for anything. Some of these skills may be available in other industries, that is a fair statement.

Q. Coming to the iron workers and boilermakers that you mentioned, could a shipyard diversify into industrial work that would employ these skills and maintain them?

A. Hardly. They are pretty much lost. Take the ship platers. If he goes where he learns something else he wouldn't be ready to go back.

THE CHAIRMAN: No.

MR. MUNDELL: Q. I am wondering whether these skills could not be employed ---

A. Other branches of industry?

Q. Yes.

THE CHAIRMAN: Q. Right in the same plant. Mr. Bruce, we have visited all of the shipyards on this coast and I think all of them also on the East Coast, leaving aside Central Canada, and in each one of them there was a very ingenious use of other forms of production in order to utilize their plants and in order to keep their staff intact.

A. I would agree with you, Mr. Chairman, on that.

Q. These men are not technically in a nucleus of shipyard workers. They are not doing shipyard work. They are doing industrial work there

in the plant and they can be shifted over to the other department as soon as they are required.

A. Well, that has been proved, Mr. Chairman, because Vickers have an industrial plant doing work for outside industries and Burrard are doing quite a bit, and V.M.D. have done -- well, a lot of our shipyards had the same situation and industrial employment outside of shipyard work has been extremely beneficial.

MR. MUNDELL: Q. I think the Commission very much appreciate the views that you have taken on that question. You think that the iron workers and boiler-makers can be maintained, that their skill can be maintained if they have diversification.

A. Yes, diversification of the industries, but then you cannot turn shipyards there to general industry back and forth like this because it is an entirely different operation.

Q. I am not sure that is not sort of taking back the answer I thought we had received.

A. I mean, diversification cannot just be done overnight, or anything like that.

THE CHAIRMAN: Q. Of course, a shipyard has to compete with a plant designed to do diversified industry. A shipyard was designed to build ships. It will not be as efficient.

A. I agree, that is correct.

Q. In building tanks or something.

A. That is correct.

MR. MUNDELL: Q. Would you not think that,

apart from defence purposes, with the inevitable repair work that the shipyards get and the possibility of diversification, that the skills necessary to be maintained might be maintained without assistance?

A. No, because there is not sufficient repair work here for ---

Q. Plus diversification.

A. Plus diversification there might be, but then the figures that you asked about just a moment ago, in 1939 we only had less than 1,000 men working in the shipyards of this country.

Q. The only judgment that I know of is ---

A. Pardon me, here in British Columbia, I should say.

Q. The only judgment that has been made public on the question of nucleus requirements is that of the Maritime Commission of 7,000 men. That is quite deficient.

A. Yes.

Q. You have recommended restriction of the coasting trade to vessels built, owned and registered in Canada. Has your Association given consideration to the fears of Newfoundland and, say, the Prairie farmer, in connection with that recommendation?

A. No, we have just been dealing with it here entirely on the basis of our particular condition here in British Columbia. The other brief in Ottawa dealt with the general conditions.

Q. I think at that time we had not yet

been the recipient of all the fears. Supposing you obtain the restriction you recommend and the question arose as to the Canadian Pacific Railway, for example, calling for tenders on a vessel. It is my understanding that the wage rates in British Columbia, for example, are considerably higher than they are in Eastern Canada, is that correct?

A. Not considerably, they are ---

Q. Somewhat?

A. Somewhat higher, yes, but they are not considerably higher.

Q. Would the restriction assist British Columbia shipyards if British Columbia costs are higher?

A. I doubt it.

Q. Would it be likely that the shipping people would go the Eastern yards?

A. Well, they have gone. The gentleman from the Yukon here said, speaking about the Yukon the other day, he told you that the boat that they are building is being built at Vickers where the wage rate in my own particular trade would be $1.58 whereas out here it is $2.02½.

Q. I was wondering whether your recommendation would really be of any assistance to the British Columbia shipyards?

A. Yes, in a meaaure it would be helpful. It would tend to increase the measure of competition. They would have to, as I say, liven up and look for work. None of us is going to suggest

because Japan can put in figures that were thousands and thousands of dollars less, we are not going to go to Japan just because they can buy it cheaper in Japan.

Q. Let us deal with that. Why should we not?

A. Well, how are you going to maintain the level of employment?

Q. Apart from the defence requirements.

A. If we are going to get into some type of economic discussion, if you are going that far -- because here we are as a country -- this country, let us face facts, is subsidizing many countries all over the world. We are not opposing that. They are undeveloped and underprivileged countries. The Government is spending millions of dollars on them. We are not opposing that, but we want the same treatment at home. If there are some underdeveloped and underprivileged conditions we want some protection for them.

Q. I suggest that the subsidization to these countries is in general to get them into the production of lines which they are equipped to produce, and possibly they may be more efficient at shipbuilding than we are. Should we, then, subsidize at home to compete with them?

A. Yes, I am sure of that. For instance, in Britain, they have been building for hundreds of years in the shipyards. Here we have been building perhaps the last generation or so.

We have been building ships here on this Continent. We have got the skills but there are a number of other factors enter into it. As I said in my remarks, there is the question of taxation. There is the question of the worker paying to his unemployment insurance. All of these things are factors that are not prevailing in these other countries. We provide these ships ---

Q. I suppose they do in Britain?

A. Not to the same extent we do here. Their taxes are not as high and I think their unemployment insurance is not as high.

Q. I must confess I do not know what the comparative figures of taxation are. At some time in the income level in Britain the taxation would be at some point or other presumably very much higher.

THE CHAIRMAN: A great deal higher than here.

A. After you reach a certain stage, Mr. Chairman, there are -- there is also the elimination tax that goes on that.

MR. MUNDELL: Q. At any rate, could you explain to the Commission, or could you give your explanation of the reason why wages in the same trades in British Columbia are higher than in Eastern Canada? One would normally think your shipyards and the Eastern yards would be paying the same rate.

A. Isolation. You see, the industrial -- to get industries we have to get men to the residences in that area. We have got to come

and the men have got to travel a long distance and build up new industrial areas, and in addition to that they have the high costs not only of transportation of goods and services -- so all of the wage rates we have -- these are all negotiated wage rates.

Q. I am wondering why the rates here, which are over and above the wages applying -- they are higher in the automotive industry, which would surely mean if they are to be left alone they would be non-competitive here.

A. In my judgment there will be a levelling in the general economy of Canada which will straighten out. You will find exactly the same thing in the United States where the wage rates on the West Coast are anywhere from 10 to 15% higher than what is prevailing in the Eastern industrial centres.

Q. Would it be simply the law of supply and demand?

A. It helps. Definitely it is isolation.

Q. Isolation meaning what?

A. Pools of labour.

Q. It is lesser right here?

A. Yes.

Q. So it is really supply and demand. If that is so, if the demand decreased then you would expect, by reason of the other industries out-competing somebody here, you would expect them---

A. You see, we had a more serious unemployment situation here on the coast last winter than there was anywhere else in the Dominion of

Canada.

Q. You think, of course ---

A. There is quite a lot of that may be brought about by seasonal conditions, the logging and things at Yarrows. We had the worst unemployment situation here than anywhere else in the Dominion of Canada.

COMMISSIONER WICKWIRE: Q. You also had a better climate, did you not?

A. Perhaps so. Our climate is different on the coast.

MR. MUNDELL: Q. Coming from Toronto I would question whether their cost of living is any higher than where we live.

A. I am not competent to state about the cost of living in that regard.

Q. You mention in your brief a differential in favour of the coast ---

A. What page?

Q. At the bottom of page 8 and over to page 9. In the awarding of contracts -- I am not quite sure about your recommendation. You suggest 6%?

A. Did you say 8?

Q. I beg your pardon. This recommendation relates to a subsidy for foreign-going services which is not within the terms of reference. In making the recommendation you make to total restriction of the coasting trade to Canadian-built, owned and registered vessels, would

you contemplate setting some date for exactly what vessels may be in the trade or not?

A. That would be a matter entirely for the judgment of this Commission to make a recommendation to the Government. That is our opinion. We are not setting any date when it should be put into operation.

THE CHAIRMAN: Q. No. Mr. Mundell was not enquiring only as to the date. If the statute came on the books tomorrow or ten years from tomorrow a lot of our ships which are engaged in the coasting trade under Canadian registry would have to be removed from the coasting trade. Do you contemplate that?

A. Yes, if necessary.

Q. You contemplate that for these three C.P.R. ships which were built ---

A. No, we are not asking to scrap anything.

Q. That was my point.

A. No, we are not asking to scrap anything. Nothing is gained by scrapping, but it is to deal with the entire economy. We are asking for a new expanded economy.

Q. In other words, that ships which come into the coasting trade after a fixed date would be governed?

A. Yes, after a fixed date.

MR. MUNDELL: Q. What is your view in relation to subsidy, construction subsidies as an alternative to reservation of the coasting trade

to Canadian vessels? Have you considered that?

A. No, I have not considered it.

Q. If it is found desirable to maintain the shipbuilding industry as a defence measure, would you have any objection to that?

A. No.

Q. That is your proposal?

A. That is the proposal. As I say, it was well considered in the light of current conditions.

Q. I am not quite clear on your final alternative.

"Finally, we would recommend to the "Commission a review of the effect of the "Government's policies ---"

A. Which page?

Q. 13, which reads:

"Finally, we would recommend to the "Commission a review of the effect of the "Government's trade policies upon the volume "of our exports to and imports from the "nations of the Far East and on the trans-"Pacific shipping from British Columbia "ports."

I am really not clear on it in relation to the coasting trade.

A. I will have to get -- where is Martin?

Q. In relation to the coasting trade. That is the idea you had in mind?

A. Foreign, not coasting.

Q. That is strictly foreign?

A. Yes, not coasting.

Q. Well then, I think this brief has so many facts and is so well documented, Mr. Chairman, I have finished all the questions I have. I wondered before I finish whether there is anything you care to say or anything you think I have missed?

A. No, I think that you, as you said, the brief has been fairly well considered and the remarks I have directed I thought -- as I said, I thought I tried to give them to you, or make sure that we expressed the views of the men who are employed in this particular area.

MR. MUNDELL: Thank you very much.

MR. WRIGHT: No questions, Mr. Chairman.

MR. MERRITT: No questions, Mr. Chairman.

COMMISSIONER WICKWIRE: I have just one question. I think you said that in your trade of pipefitting the current rate was $2.08.

A. In the shipyards?

Q. In the shipyards.

A. $2.02½.

Q. In the shipyards?

A. $2.00, pardon me, $2.02½ in October.

(UNIDENTIFIED SPEAKER): $1.97½.

THE WITNESS: Under the negotiated agreement, $1.97½ to $2.02½.

COMMISSIONER WICKWIRE: Q. And in Eastern Canada it is what?

A. All of Canada?

Q. Eastern Canada.

A. They vary considerably.

Q. Take the whole of Canada average, then.

A. I have not got that average.

THE CHAIRMAN: It is in the brief.

COMMISSIONER WICKWIRE: Q. You gave Mr. Mundell a figure of $1.58 for Vickers.

A. Yes, $1.58 in Vickers. But they vary, you see, right down.

Q. There is roughly a 44¢ variation there. If isolation is the reason for higher wages here, don't you think that would be very shortly cured if there is a differential of 44¢ per hour?

A. Starting to cure itself already in other industries.

COMMISSIONER WICKWIRE: Thank you.

THE CHAIRMAN: Thank you very much.

We will adjourn until 10.00 o'clock tomorrow morning.

---The hearing adjourned at 5.00 o'clock P.M.

FRIDAY, SEPTEMBER 2, 1955

---On resuming at 10.00 a.m.

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: Mr. Chairman, there are one or two very short matters that had been left over from previous examinations, and we thought we might try and fit them in at the beginning this morning.

Mr. McKie, on behalf of the National Association of Marine Engineers of Canada, in his examination made reference to some figures as to the effect of subsidies in the United States. He was asked for the reference and he has brought it this morning. I thought it might be worth while if we could put that in as an exhibit.

---EXHIBIT NO. 58: Extract from "The Log", a magazine, of June, 1955, Volume 50, No. 6, page 6.

MR. MUNDELL: I do not know whether we need to file the magazine. I think just the extracts will be sufficient. It has been cut out.

THE CHAIRMAN: Yes, just the extract.

MR. McKIE: I just submit this as an exhibit It is a quotation from Representative John J. Allen, a member of the House Committee on Merchant Marine and Fisheries at the San Francisco Propellor Club meeting. He said:

"Who knows that when we paid $121,000,000 "more to carry 50 percent of the cargoes in a "recent program that $166,000,000 came back

"to the Treasury in taxes on Americans who "had earnings from the program?"

That is the quotation I was using to substantiate my remarks.

MR. MUNDELL: You do not know the source of Representative Allen's figures?

A. No.

Q. The thing that is puzzling me, and I have no doubt it is puzzling the Commission, is how, if you pay out $121 million by subsidies you can get more back.

THE CHAIRMAN: Q. What was the figure of subsidies?

A. $121 million.

Q. And then there was $160 million on income tax?

A. $166 million returned to the treasury.

MR. MUNDELL: Q. By persons engaged in the programme, I think you said?

A. Yes.

THE CHAIRMAN: Of course, the subsidy would be probably one-fifth or a fraction of the cost of operating the industry, and those who were paid salaries from the industry paid income tax of $166 million. That is, of course, on the premise that apart from the subsidy there would not have been that industry, and on the additional premise that those who earned income in that industry would not have earned it elsewhere.

MR. MUNDELL: Have you anything further you

would like to add?

A. No.

THE CHAIRMAN: Thank you, Mr. McKie.

MR. GERIN-LAJOIE: Mr. Chairman, the other day Mr. New appeared on behalf of the British Columbia Tow Boat Owners Association, and was asked a number of questions which he is now ready to answer.

THE CHAIRMAN: Yes, Mr. New? Although witnesses are not sworn, when we have a well-organized courtroom as this one is, it is preferable that witnesses should take the witness box, because it is so much better from the point of view of every one being able to hear.

MR. NEW: Thank you, Mr. Chairman. Now, the day before yesterday we were asked a few questions which at the time we were unable to answer with any degree of accuracy, but I think I have the answers for you now.

The first question was a list of the membership of the Association. They are 52 in number, and I have handed you four copies of a list of their names. You will note that they are not all in Vancouver; some are in Victoria, Nanaimo, Cowichan Bay, Harrison Hot Springs and so on.

MR. GERIN-LAJOIE: Mr. Chairman, perhaps this list could be filed as Exhibit 59.

THE CHAIRMAN: Yes.

---EXHIBIT NO. 59: List of members of the British Columbia Tow Boat Owners Association.

MR. NEW: Now, Question No. 2 -- it is actually Question No. 1 -- referred to the average cost of operation of a medium sized tugboat and scow. I am sure you will appreciate, Mr. Chairman, that that is quite a complex question and we can only deal with it by taking one or two examples. Dealing with scows, the main cost items there are repairs, maintenance, and there is no cost, of course, for crew because the scows are not manned, but the cost of repairs is quite high. A scow contains a lot of material and it gets fairly hard usage. In a general sort of way I think it would be fair to say that the costs and the margin are comparable with the costs on tugs, and I have some more specific figures on that. Taking, first of all, a sample of what we call a Class 6 tug operating over a 26 day period, this particular tug had a crew of six men and in that 26 day period it earned $6,268. On the direct cost items the wages and Workmen's Compensation Board amounted to $2,484; fuel and oil, $1,575; supplies, $164; messing, $196. I think I should explain that that $196 is more of a deficit than anything else. What is supposed to be the normal cost of messing is included in the payroll, and this $196 is the amount which was not covered by the amount in the payroll. Repairs for that particular sample month were $115, insurance on the ship, radio rentals and so on, $192, making a total of $4,726. That gave a gross operating profit of 24.6%.

Now another example of a slightly larger tug working for 111 days and carrying a crew of nine men, earned $51,399, and of that amount $14,414 went in wages, $6,773 in fuel and oil, supplies $875, and messing -- there again this is the deficit figure -- $1,300. Repairs in that particular example were $6,650 and insurance premiums, radio, radar and electronic equipment generally, $6,338, making a total of $36,400 direct costs, leaving a gross profit of 29.18%. Now that gross profit figure has to cover in this particular example -- in both of these examples -- an overhead which is made up of general office expense, management, travel, group insurance, unemployment insurance, interest, general insurance other than insurance on the ship itself, depreciation and profit. Now we feel that in a general way if our equipment works 75% of the time and if it earns a gross profit around 25 or 26%, and if we consider the actual value of our fleets as they exist but not on a replacement basis, which, as you can see, would affect depreciation terrifically, then we should come out with a net profit of about 10% if we are lucky. The interesting and somewhat alarming point I think that comes out of those figures is that on the present basis obviously it would be impossible to replace our fleets or even, say, to replace 25% of them at present shipbuilding costs and meet that earning picture. Now, as I say, I think in a general way the figures of scows and

barges would be comparable with respect to gross and net profit.

MR. GERIN-LAJOIE: Before you pass to the next question would you clarify two points for me. First of all, as regards depreciation, do not your members have any way or policy to determine the depreciation which should be borne by each trip or each year, or is not there any way?

A. Actually, Mr. Chairman, the depreciation is dealt with annually. It pretty well has to be done in that way. Depreciation on a ship goes by the year rather than by the amount of work that it does. It is more related to the age and obsolescence, perhaps, creeps into it, particularly in the case of machinery, and so whether a vessel works or whether it does not, depreciation is something that is with you all the time.

Q. Is not there any way of giving us a figure which would fit into the picture you have just given us about two particular ships?

A. Well, I would say, Mr. Chairman, that the present method approved by the taxation department is probably a very fair one, and that is 15% on the decreasing balance.

COMMISSIONER BELANGER: That is what you use?

A. That in a general way is what we use. It used to be considered as 4% on steel ships and 5% on wooden ones.

MR. MUNDELL: Straight line?

A. Yes, straight line. It seems to us

that the present arrangement is better, because if you are able to make the earnings, which you probably may not be able to do under present conditions, you can at least get rid of the top part of the original cost of new equipment, and get it down closer perhaps to its sale value in earlier years.

MR. GERIN-LAJOIE: Would you be in a position to give us the dollar picture which would fit into the picture you have mentioned? How many dollars would it be in the two instances you have covered by your figures?

A. No, I could not give you that exactly from this. I might say that the variation is terrific, because you can take one boat with an earning capacity comparable to this nine man boat I have mentioned here, with a capital cost of perhaps $100,000, let us say, and therefore the depreciation, either in dollars or percentage -- the percentage would not vary, of course, but in dollars it would be very low; whereas to replace that ship new, instead of being $100,000 would be, as in the case I mentioned the other day of the "Kingcomb" perhaps $400,000 odd, so there is a terrific variation. Both of those ships I refer to here are very low in value having been written down. The first one I think stands on the books in the vicinity of $7,000 or $8,000, whereas the replacement cost would be somewhere near $175,000. In the case of the bigger one, the

replacement cost new undoubtedly would be at least $350,000, and she actually stands on our books at somewhere around $150,000.

THE CHAIRMAN: Why the low capital cost to begin with? Were those both purchases of American surplus?

A. No, they were both local purchases, but they were old ships. It is the same principle as would apply to American purchases or to any bargain purchases.

Q. If they are old ships, the reason why the replacement cost so far exceeds your inventory value plus your depreciation on it, is that in the meantime the cost factor has gone up tremendously?

A. That is correct, Mr. Chairman.

Q. With the general increase in prices?

A. Yes.

Q. If the ship was bought in 1930 I can easily understand that its present cost would be three times, but then you are getting a better ship, are you not? You are getting a better ship when it is new than the present ship was when it was new?

A. Well, that is possible, Mr. Chairman, although on a conversion of one of these ships new machinery was installed and she was brought fully up to date, and is fully modern in all respects, although the hull itself was built in 1889. So far as earning money is concerned, that ship can hold her own with any ship of comparable size and power, I do not mind how modern she is. The age

of the ship is not important.

Q. No, but the fact that it was converted with modern equipment is?

A. Yes.

MR. GERIN-LAJOIE: Mr. New, I think the gross figures you have just mentioned regarding the present book value of those ships as compared with the replacement cost would provide a way of comparing the higher depreciation of ships which would follow from a reservation of the coasting trade over here to Canadian built ships, is not that right?

A. Yes.

Q. If we were to take the depreciation on those ships you have mentioned with the value at which you have them on your books at present?

A. Yes.

Q. And we were to compare that figure with the depreciation figure of a new ship, that would show the rise in cost?

A. Yes, it would.

Q. And consequently in your rates, I suppose?

A. That is right.

Q. Would you be in a position to make this calculation and fit those figures into the tables you have just given the Commission, as to what the depreciation would be with the present ships and what it would be with new ships?

A. All right. Let us take the second

example with a book value of $150,000, and let us take a realistic depreciation of, say, 10% rather than 15%.

Q. Yes?

A. That would give you a depreciation of $15,000 a year.

Q. Is it possible to divide that figure to find out what average it would give for each working day of the year.

COMMISSIONER BELANGER: What is the average working period of this ship?

A. Well, we hope and expect that it will be about 75% occupied; in other words, three days out of four.

THE CHAIRMAN: Throughout the 365 days?

A. Yes, that is the objective.

COMMISSIONER BELANGER: You told us 111 days?

A. That was just a period that I had.

Q. Oh, that is just a period?

A. Yes. That is 111 days when she actually was in operation during one particular part of the year.

Q. Well, we could divide it by three?

A. We have done it on an annual basis, taking $150,000 at 10%, $15,000 depreciation, that has to be taken care of in any one year.

Q. The $15,000 is for 365 days?

A. The elapsed time, yes.

Q. And your period here is 111 days, so it is about a third?

A. To get the comparison there, we would have to be consistent and we would have to say that she was going to have to earn that depreciation in 75% of 365 days.

MR. MUNDELL: 270 days?

A. Yes, that is about it. Now, if you take it at a probable replacement cost in that particular case, let us say-- I think that is probably a good ship to compare with the one we mentioned before -- I think we should say $400,000 or possibly $450,000; so that your depreciation is going to go up three times, and that is about the story.

Now, the other ship that we dealt with is a much older ship and she was written down even further so that in her case she probably only has to make 10%, if you like, on the capital value of the books, say $8,000 to $10,000, to pick a figure, whereas there the replacement cost would be around $150,000, which makes the gap considerably wider, as you can see. I think perhaps that does something to illustrate why we are concerned about ship costs, whether we buy them or whether we build them.

MR. GERIN-LAJOIE: Now, would it be right to say that other costs would also rise? Let us say insurance costs, and interest costs, would rise with the rise in depreciation?

A. Absolutely yes, exactly in proportion.

Q. Are there other costs?

A. No. Wages would not be affected, fuel and oil would not be affected. In the sample we are taking they definitely would not be because this particular example is fully modern mechanically.

Q. Is it possible that new ships might be more efficient and would earn the money more easily, in a way, or with less expenses proportionately than old ships?

A. It can certainly happen in many cases, but in the sample we have taken here no, because in this case the machinery is all new and the whole ship was recommissioned.

Now, I think the next question dealt with how many of the 450 scows that we mentioned are barges rather than scows, and the figure there is 25. That I believe you have in your list.

Then another question was, how many scows over 500 tons do we have here, and the answer to that is probably about 25%.

I think that one of the most interesting questions so far as I am concerned was the one in which you referred to the amount of work done, the tonnage carried, and in that particular case the tonnage carried during last year was approximately 6,450,000 tons, plus about three billion feet of logs. That tonnage of cargo is divided about like this ---

THE CHAIRMAN: Did you say three billion feet of logs?

A. Yes, three billion feet.

MR. WRIGHT: Is that in 1954?

A. Yes, that is in the past year.

THE CHAIRMAN: The past year from, say, July 1954 to July 1955?

A. Yes, just about that.

Q. And this three billion feet of logs is towing as distinct from carriage?

A. Yes, that is right, Mr. Chairman. The sand and gravel amounted to 1,250,000 tons, cement about 200,000 tons, coal about 40,000 tons -- there is not very much coal moving now -- pulp and paper about 575,000 tons, rock 175,000 tons, lime rock 75,000 tons, hog fuel and pulp chips 2,100,000 tons; oil and petroleum products 475,000 tons, and concentrates about 60,000 tons. There were other commodities, miscellaneous, including lumber, shingles and general cargo, and I think that that we could estimate with some degree of accuracy would amount to 1½ million tons. That totals 6,450,000 tons, of which about 18% went to the United States, or, in other words, went foreign.

Now, there was one other matter that I feel goes hand in hand with the question of operating costs. I have handed you amongst other things, Mr. Chairman, four copies of a rate book dated August 15th, 1951. Probably you already have those in your possession because they have been around for quite a long while. As a matter of fact, the rate book was first issued, so far as I can ascertain, in 1918. It was issued for

the purpose of being a guide. As you can imagine, in this type of work the question of what constitutes fair rates is a very complex one, and it is equally complex and confusing to the customers as it is to the operators. I have one copy here, I see, of an issue of January 10th, 1946, which was revised in accordance with the authorization of the Wartime Prices and Trade Board. It has always been taken by Government as a guide, no less than by our customers and operators. I would be glad to leave that with you. It is the only copy I have of that particular one, but it is of interest because of the Wartime Prices and Trade Board reference.

MR. GERIN-LAJOIE: Then perhaps this might be filed as an exhibit.

THE CHAIRMAN: What about this last return here?

MR. GERIN-LAJOIE: Well, the other figures were just read into the record, and I do not think we need to make them an exhibit.

THE CHAIRMAN: Then the 1951 rate book should be exhibited.

MR. GERIN-LAJOIE: Mr. New has just referred to the 1946 edition.

COMMISSIONER BELANGER: There is a 1946 edition and a 1951 edition.

MR. GERIN-LAJOIE: Therefore the 1946 edition would be Exhibit 60, and the August 1951 edition to which Mr. New will probably refer in a moment, will be marked as Exhibit No. 61.

---EXHIBIT NO. 60: Copy of Rate Book of B.C. Towboat Owners Association, dated January 10, 1946.

---EXHIBIT NO.61: Copy of Rate Book of B.C. Towboat Owners Association, dated August 15, 1951.

WITNESS: There have been no rate books issued since August 15th, 1951. That situation may have resulted in some confusion, but in January, 1953, a Rates and Adjustments Committee was set up, and I would like to read you, with your permission, the terms of reference governing that Committee.

MR. GERIN-LAJOIE: Is it a Committee of your Association?

A. Yes:

"For the purpose of assisting and guiding "members to arrive at a fair and reasonable "charge for towing, any Committee appointed "under this heading shall from time to time "submit to the members of the Association "estimates of charges which in the opinion "of the Committee it would be proper for a "member to make for particular types of "work, the charges so estimated to be fair "and just in the circumstances. No member "shall be bound to charge the estimated or "any amount, but every member shall be free "to charge such sum or sums as may from "time to time be agreed upon between him "and his respective customers."

I think perhaps that covers the reason for it

being in existence, and also emphasizes the necessity of it being in existence for the guidance of customers even more so than for the guidance of the trade. I might say that these books are used to quite an extent by foreign ship owners in other countries who have occasion to have tow boat services while their ships are in port. They have asked repeatedly that they be furnished with some authoritative figure rather than leaving themselves open to any charge which happens to come into anybody's head, and over which they would have no control.

Now I believe, Mr. Chairman, that that covers the questions that we were asked, and once again I want to thank you on behalf of the Association for the opportunity to appear before you.

MR. GERIN-LAJOIE: Mr. New, with reference to the approximate volume of the principal commodities moved by tug, scow and barge, would you tell the Commission whether there is any rough rule for converting the board feet of lumber into tons?

A. There is. It varies with different species, and it varies considerably. I would say it might vary from -- and here I am picking a figure; I am not well versed in that, and I think some of the timber men could give you that information better than I can -- let us say four pounds per board foot, to perhaps 15 to 20 pounds. There is a terrific variation. Some logs are so heavy with water that they will actually sink, whereas

others float very high.

THE CHAIRMAN: In the case of the logs that you deal with in this Province, is there that variation? I can understand it in the case of hard woods such as oak and mahogany, as against pine, but is there that much difference in the logs you deal with?

A. Yes, there is, Mr. Chairman, especially in the case of logs that have been in the water a long time. For instance, green hemlock that has been in the water for a long time will sink, and very often does, when it gets into fresh water, although it will float while it is in salt water. On the other hand, cedar, particularly in an area that has been burned over, is as light as a feather.

MR. GERIN-LAJOIE: Q. Would it be right to say that on an average there would be one and a half to two tons per 1000 F.B.M.?

A. No, I think it would be a good deal more than that on the average. That would be my opinion, but I would appreciate it if you would refer that question to some one in the timber business.

MR. GERIN-LAJOIE: Thank you very much, Mr. New.

THE CHAIRMAN: Thank you.

BURRARD DRY DOCK COMPANY LIMITED

MR. GERIN-LAJOIE: The next presentation will be that of the Burrard Dry Dock Company Limited, and I understand they are appearing to-day as a member of the British Columbia member shipyards of the Shipbuilding and Ship Repairing Association.

MR. C.S. THICKE: That is right.

MR. GERIN-LAJOIE: That group presented a brief, No. 103 in the bound volume No. IV, which was presented to the Commission in Victoria. The Burrard Company to-day wishes to make a supplementary presentation of its own in Vancouver, and I understand that Mr. Thicke is appearing on behalf of Burrard. Would you mind, for the purposes of the record, Mr. Thicke, mentioning your initials and title?

MR. THICKE: C.S. Thicke, Executive Vice-President of Burrard Dry Dock Company Limited.

Mr. Chairman and Commissioners, this company is a member of the Canadian Shipbuilding and Ship Repairing Association, and unreservedly supports the Association's brief presented before the Commission at Ottawa last July.

In addition to that brief this company subscribes to the representations made by the British Columbia member shipyards before this Commission in Victoria the other day.

At the outbreak of the War in 1939 the firm employed only 242 men, and it was 1943

before this total had been multiplied to a working force of more than 13,000 men. The company was then able to meet the urgent demands for more and more ships called for by Canada's role in allied production.

During the war Burrard Dry Dock Company built 114 steel ships including corvettes, minesweepers and a variety of cargo ships. In addition some 750 allied ships were repaired, refitted and converted, including 19 American aircraft carriers for the British Admiralty.

During 1944 Burrard delivered ready for sea 55 10,000 ton cargo vessels. This was at the rate of one ship every 7½ calendar days, not equalled, I believe, by any other Canadian Shipyard.

Since the war these 13,000 men have scattered to jobs elsewhere, with the exception of a small remaining nucleus of approximately 1,200 men. Most of our vast shipbuilding plant has stood idle since, or has been scrapped.

It should be of great concern to Canada to-day that at the end of the current naval program there will be no work in sight that will enable us to keep this essential nucleus of shipbuilding men.

Our expansion, starting in 1939 and taking till 1943 to complete, was possible only because the skilled men we had at that time could be supplemented by a ready available pool of labour to build an efficient force able to cope with the shipbuilding problems presented during the

second world war.

We feel that unless a certain degree of security is provided by naval contracts, supplemented by other continuous work, we will be unable to retain the skilled men now in our employ, and our ability to meet rapidly and effectively the demand of another national shipbuilding emergency will be crippled.

Some 1,208 deep sea vessels of a total net registered tonnage of 5,159,834 entered this port in 1954 and by the way only 13 were Canadian deep sea ships. Imports totalled some 1,533,994 tons while 4,136,570 tons were exported from Vancouver harbour in the same year. 52 passenger and freight vessels of 77,431 gross tons are operated by 8 companies from Vancouver on regular schedules in British Columbia's coastal waters.

There is, then, a necessity for dry docks and ship repairing facilities such as we have at Burrard, but shipbuilding, which may appear somewhat similar to ship repairing, requires greater technical skill.

I might say that it is somewhat similar to a garage and car building: you can take your car into a garage and have your engine overhauled, you can have the transmission and the rear axle fixed, or a bumped fender fixed, but the garage has not got the skill, the mechanical knowledge or the equipment to build a car, and shipbuilding is very similar.

Canada, as most other nations, started

learning shipbuilding via ship repairing.

The manpower was mostly imported from the British Isles. Even up to the last war about 90% of the superintendents, head foremen and assistant foremen had their training in Europe and even to-day most of those, including the technical men, are still imported.

In our own case, out of say 35 to 40 men, including naval architects and engineers, there is only one man who was trained in Canada; the rest were all trained and educated in the British Isles.

We will no longer be able to have other nations to readily supply us with technical skilled men, owing to the rising standard of living in Europe. The standard of living in Great Britain and in Europe is going up, and they will not want to come out here. We had difficulty in Burrard in replacing our technical engineer, and it was about 14 months before we could get a technical engineer. We advertised in Canada, and Mr. Wallace went to England particularly to interview and bring out an engineer.

In building the all-welded ship of to-day there is a difference in the skill required by the technical supervisory staffs;

such as the prefabrication of the units in the shops -

the alignment of them on the berth -

the taking care of all stress relieving and keeping the ship in proper

alignment at all times -
requires a far greater skill than building the old all-riveted ship.

When you visited our yard last week, Mr. Chairman, we drew your attention to our No. 1 dry dock, which was empty, and you saw the blocks set for the docking and repairing of a ship. The blocks were in a straight line and there was no technical skill required in getting a vessel into the dock. The dock would sink and the vessel would be docked and raised, and there is no difficulty in that, but in building a new ship the keel blocks, etc., and the shores must be set up so that the vessel can slide down the ways in safety. The proper declivity for launching requires technical skill. It does not require that technical skill to raise a ship in the dock.

I do not know whether you saw the last issue of Life Magazine, but it shows some pictures there of the launching of a 45,000 ton tanker in Japan. The boat sped down the ways and sped across the waterway, up the bank on the other side and into a small shipyard, simply because of either a miscalculation or lack of technical knowledge. They are worth looking at anyway; they are good pictures.

THE CHAIRMAN: How would you like to, say, launch a boat into a dry dock?

MR. THICKE: Yes, sir, we have a superintendent who did that at Collingwood.

THE CHAIRMAN: Do they do it in Collingwood

too? We had the whole operation outlined to us in Port Arthur, and I still cannot understand how in the world you can do it.

MR. THICKE: A ship repairing man cannot do that.

THE CHAIRMAN: Well, as a matter of fact, the particular man who was superintendent of the whole thing there had not had his training in England; he was born and brought up in Hamilton.

MR. THICKE: Well, that is very fortunate.

THE CHAIRMAN: His name was Page.

MR. THICKE: Again, in repairing a ship on a dry dock we often have plates to remove from the bottom, up to as much as 250 tons. They will probably be welded in place. There would be very little stress locked up in the ship if it were all welded. They very rarely are, but if they were there would be very little stress locked up in there. In the case of a 10,000 ton ship it would be 2,500 to 3,000 tons steel weight, but in the case of a new vessel it requires a welding engineer to lay out the welding sequence in order to prevent stresses being locked up.

Now, you may recollect that in the last war, when little was known of electric welding, some of the ships would raise their bow or stern during construction four or five inches off the blocks. Some shipyards put 14 and 15 tons at each end to hold it down, but the stress was still locked up in the ships, and, if you remember, a number

of them cracked, and some cracked in half. At Burrards we repaired 28 steel ships, I think it was, of American construction and welding, stiffening them, and in one case we repaired, I think it was, a nine inch crack. These points are brought out to illustrate the difference between ship repairing and ship building.

In a future emergency it is doubtful that ship building can be concentrated in one yard. We may have to use shops scattered all around the country, each shop building different component parts of the ship, and the shipyard will then become only a central assembly point. By that I do not mean the engines and auxiliary transmissions, but the construction of the present destroyer escorts that we have in the yard is done by building on jigs, and they are put together something like a jigsaw puzzle, and in any new emergency these jigs can be sent to Kamloops, Vernon and Nelson, and one or two can be asked for to be delivered per week at the shipyards. That applies to auxiliaries and main machinery being built in other shipyards, and it would cut down the danger from bombing, and it would speed up deliveries. But, this will require a great number of technical and supervisory staffs.

THE CHAIRMAN: How would you get that part of the destroyer down from Kamloops?

MR. THICKE: On a flat car. The biggest we had on the destroyer escorts was about 40 tons --

30 to 40 tons. The bow is in two sections. It is built on a jig. The setting up of the jig requires real technical knowledge. The sections come together just like a jigsaw puzzle which is welded up, but it is most important that the welding sequence be properly followed, otherwise stresses are locked up in the ship. We would have to have trained men, and a great number of trained men, to travel around -- supervisory staff, and only by building ships and keeping in touch with all the newest methods in shipbuilding can any man be trained to-day. We are losing men to other industries due to the fact that a lower skill is required and more permanent employment is offered, which is more important.

The tow-boat representative on Wednesday made a statement to the Commission that there was no competition in the big yards. That is not correct, sir. The only two yards that have any connection at all are ourselves and our auxiliary, Yarrows in Victoria. V.M.D. and the Allied in False Creek, B.C. Marine ---

MR. GERIN-LAJOIE: Would you mind mentioning these yards very slowly for the Reporter's sake?

MR. THICKE: --- Sterling Shipyards, Star Shipyards of New Westminster -- and I cannot remember the others, offhand; I find them in the back of the telephone book. There is plenty of competition, and you can confirm that by talking to the Minister of Transport who has asked for

prices on the lighthouse tender from the D.D.P. -- the Department of Defence Production -- who have asked for quotations on ammunition lighters, etc.; from the Royal Canadian Mounted Police for which Yarrows are building a coastal boat. I just mention those facts to prove that there is plenty of competition in the British Columbia yards. We do not believe that future reservations of Canada's coastal trade will have any immediate or drastic effect on transportation costs. We believe it would take years before such replacements and additions constitute a large enough percentage of the coastal trade to affect freight rates. We stress that reservations of coasting trade to Canadian built and registered ships will help to solve our problem.

We believe that a shipbuilding industry should be maintained on the Pacific Coast, not for its own sake but because it is vital and essential to freedom everywhere. Should the shipbuilding industry of Canada be allowed to die, then Canada will have lost a very essential instrument of defence.

MR. GERIN-LAJOIE: Mr. Thicke, I understand that in Victoria you agreed to supply the Commission with a set of figures in accordance with the form of required information which has still to be supplied to you by the Commission?

MR. THICKE: I will do that. You are, I understand, to give me a list of all the

information you wanted. We will have that for you after we have the completed list.

MR. GERIN-LAJOIE: Thank you very much, Mr. Thicke. Are you in a position to tell the Commission to what extent the position of British Columbia shipyards would have been different if, let us say, we had had in Canadian legislation the reservation of the Canadian coasting trade to Canadian built vessels in the past ten years -- let us say, since the war?

MR. THICKE: In what way? Do you mean how much better off we would have been, or how many more would have been employed?

MR. GERIN-LAJOIE: Yes, or how many more ships, possibly, you would have had to build, what type of ships, and how your employment and international situation would have been better?

MR. THICKE: You will have to let me get you those figures. I cannot tell you that offhand. If you put that down on your list I will get it for you.

MR. GERIN-LAJOIE: Can you tell -- very roughly -- or not tell right now, for the purpose of continuing this examination, to what extent your situation would have been different, without committing yourself to precise figures?

MR. THICKE: No, I could not tell you that.

MR. GERIN-LAJOIE: Do you know, roughly speaking, what types of ships have been imported into Canada either from the United States or from

Britain since the war for coasting services on the British Columbia coast?

MR. THICKE: In number, mostly tugs and barges; quite probably in tonnage the two C.P.R. boats would be of greater tonnage than the others. I could not tell you.

MR. GERIN-LAJOIE: And these, most probably, would be the only ships or vessels you would have had to build in the British Columbia yards?

MR. THICKE: That is right.

MR. GERIN-LAJOIE: Can you tell the Commission what differences in skills are required to build a warship and a commercial ship for use in the coasting trade?

MR. THICKE: Between a coasting trade ship and a warship?

MR. GERIN-LAJOIE: Yes.

MR. THICKE: There would be considerably more electronics in a warship, higher steam pressures, and, of course, gunnery and fire control, which would not enter into a commercial ship at all. Then, in a commercial ship, as far as our technical staff is required, probably only electronics would be necessary. There would be very little difference. We would still have to have our engineers and naval architects and draughtsmen.

MR. GERIN-LAJOIE: And the workers themselves in the steel plants, and ---

MR. THICKE: Yes. Well, there is a little more examination required in the welding in the

naval work than there would be in commercial work.

MR. GERIN-LAJOIE: A little less?

MR. THICKE: No, a little more knowledge -- did I say "less"? A little more knowledge would be required on the naval work than there would be required on the work on a merchant ship.

MR. GERIN-LAJOIE: Now, when you are asking to reserve the coasting trade of Canada, and, in this case particularly, British Columbia, I imagine, to Canadian built ships, would that help you in any way to keep your specialized employees in the fields you have just mentioned?

MR. THICKE: Yes.

MR. GERIN-LAJOIE: How would it? You would not have any work to give to them?

MR. THICKE: Wouldn't have any work for them?

MR. GERIN-LAJOIE: If your recommendation regarding reservation was implemented ---

MR. THICKE: Yes?

MR. GERIN-LAJOIE: --- you would have probably more commercial ships in the coasting trade to build?

MR.THICKE: Yes.

MR. GERIN-LAJOIE: But that would not change, in any way, your requirements in the skills you have just mentioned?

MR. THICKE: The nucleus of labour and skill?

MR. GERIN-LAJOIE: Yes.

MR. THICKE: No, we would still require our skill for emergency, but some of those men are required in the construction of ships for coastal

work.

MR. GERIN-LAJOIE: Some of them, I understand, but some others would not be required ---

MR. THICKE: That is commercial only. We say we want the commercial work to supplement the naval work.

MR. GERIN-LAJOIE: I am just trying to see how it would help your situation in keeping a nucleus of essential men for war purposes -- naval purposes -- if you were to have a reservation of the coasting trade, which is commercial, of course.

MR. THICKE: With no naval work?

MR. GERIN-LAJOIE: Of course, your recommendation does not cover naval work; it covers only the coasting trade.

MR. THICKE: We want the naval work supplemented by the coastal trade. That is what we have said, is it not?

MR. GERIN-LAJOIE: Yes, but you already have the naval work, and you would like it to continue?

MR. THICKE: Yes, very much so.

MR. GERIN-LAJOIE: And if you have that naval work your contention is that it would not be sufficient, and you have got to keep the required nucleus of the specialized skills you have just mentioned for expansion in time of emergency?

MR. THICKE: It would assist.

MR. GERIN-LAJOIE: I will try to make myself clearer. I have in mind the specialized skills which you need only for naval work. Your

recommendation will not help you in any way to keep the required nucleus in those skills, would it?

MR. THICKE: Do you mean in the electronics field -- no, that is right. We would have to have some naval work to hold those men.

MR. GERIN-LAJOIE: Now, you have probably heard the contention of some groups which have appeared before the Commission, either in Victoria or over here, saying that the interests engaged in coasting trade should not be made to support the charges necessary for keeping a nucleus for naval purposes? What would be your reaction to this contention?

MR. THICKE: Put that question again, please.

MR. GERIN-LAJOIE: It has been suggested to the Commission that, let us say, ship owners who would be required to have their ships built in Canada should not have to support part of your costs which you have to incur on account of your naval requirements just to have a nucleus in time of emergency. What is your reaction to this view?

MR. THICKE: I think that that would not amount to a great deal in the end -- that cost.

MR. GERIN-LAJOIE: Can you say why you think that? Is it because ---

MR. THICKE: Well, there was a discussion a little while ago with regard to a tug boat costing $150,000 at 10% depreciation -- on an old ship that was supposed to be a fair depreciation -- and a new ship costing $400,000. Presuming the

old ship is depreciating at 10%, then it will only last ten years. Then, take the depreciation on a new ship at $15,000, and it will last 40 years. Your depreciation is the same, and we claim that the increase in cost of the new equipment over the replacement cost of the old equipment will not be very serious on the coastal operators. There are tugs in Vancouver to-day of over 40 years of age. The old North Van -- I do not know how old she is, but she was in the tug boat business when I was in it.

MR. GERIN-LAJOIE: Are you in a position to tell the Commission whether the main part of your overhead is incurred on account of your naval work, and not being paid by it?

MR. THICKE: I could not tell you that now, but I can get it for you.

MR. GERIN-LAJOIE: And, at the same time -- this is a co-relative question -- whether part of your overhead would have to be supported by those ordering ships in your yards?

MR. THICKE: Well, they have to stand ---

MR. GERIN-LAJOIE: That is, having in mind part of the overhead incurred on account of the nucleus you have to keep for an emergency. Is this clear enough?

MR. THICKE: Yes, I see.

MR. GERIN-LAJOIE: Now, in Victoria the other two shipyards which have appeared -- V.M.D. and Yarrows -- have mentioned a figure of a

nucleus which they would consider necessary for their own purposes in order to be able to expand properly in a time of emergency. Would you be able to mention a comparable figure for your yard over here?

MR. THICKE: About 1,200.

MR. GERIN-LAJOIE: 1,200? Can you explain to the Commission why your nucleus would be so much larger than the figures given by the Victoria Yards?

MR. THICKE: We are much larger than they are with more equipment and a bigger area. We have four slipways, and our cranes, etc., and the men to operate them. We would, I presume, have to expand in the same way as in the last war.

MR. GERIN-LAJOIE: Is it your view that such a yard, with the number of slipways you have mentioned, and the number of cranes and so forth, has to be kept on in peace time so that it is available in time of emergency?

MR. THICKE: We have cut it down to as low as we think it is safe to go. We have only two slipways inoperation.

MR. GERIN-LAJOIE: What do you mean by that?

MR. THICKE: We have a place to build a ship ---

MR. GERIN-LAJOIE: What do you mean by "as low as we think it is safe to be"? What do you mean by "safe"?

MR. THICKE: I mean "as it is possible to expand from" -- put it that way.

MR. GERIN-LAJOIE: Would it not be possible

for your yard to come down to a level more comparable to the level of V.M.D. and Yarrows?

MR. THICKE: I do not think so.

MR. GERIN-LAJOIE: Can you explain why?

MR. THICKE: Yes. We would be losing money every day. Our overhead is greater than either of those two yards. It must be greater on account of the equipment we have, and the property we own -- the machinery and the equipment we own.

MR. GERIN-LAJOIE: Do you mean if you have to come down to a lower level you would have to give up some of your equipment?

MR. THICKE: That is right.

MR. GERIN-LAJOIE: And do you object to doing that because you would lose money in doing so, or for some other reason?

MR. THICKE: No, I think if we went into ship repairing we could probably get it down to probably 400 men -- that is for ship repairing only.

MR. GERIN-LAJOIE: But the other yards in Victoria are also engaged in shipbuilding, are they not?

MR. THICKE: Yes, that is right.

MR. GERIN-LAJOIE: And they would manage, they say, with a nucleus of 600 or 700, but in your case you feel that you need a higher nucleus?

MR. THICKE: That is right.

MR. GERIN-LAJOIE: Just to keep your equipment going?

MR. THICKE: To be ready for an emergency.

COMMISSIONER BELANGER: Maybe there is some answer in the possibility of expansion. If they have 600 and they want to expand to 6,000, I would imagine that you would need somewhere around 1,200 in order to be able to expand to 12,000 or 13,000, or something like that. It is a question of scale here?

MR. THICKE: Yes, if we are going to have to go back to where we were in the last war with 13,000 men and 12 slipways, we cannot get along with less than 1,200. You cannot train them. You could not possibly get it even in the time that we did in the last war.

MR. GERIN-LAJOIE: Mr. Thicke, you will remember that in Victoria I asked the question as to whether the number of shipyards already reduced to three in this region might not be considered as too large as a nucleus required for expanding in time of emergency. I think a partial answer to this question is found in your statement when you say that we may have to use, in the future, shops scattered around the country, each shop building different units of the ship, and the shipyard then becoming only a central assembly point. In that case -- and I believe this is the first time such a suggestion was made before the Commission -- in that case would it not be possible for your yard, for instance, to reduce the number of men required as a nucleus, if you did not have so many skills required in your yard?

MR. THICKE: We would still require the same number of men. In fact, we would have to have more skilled men.

MR. GERIN-LAJOIE: How would that be?

MR. THICKE: We would still have to put the ship together, would we not?

MR. GERIN-LAJOIE: Yes.

MR. THICKE: That has got to be done somewhere, so we would have to do it in the yard, and we would still need our crane and crane operators, and we would still need our welding men to weld these sections together, and we would still have to have the engineers to install the machinery in them even though somebody else made the machinery, and on top of that if you put these assembly shops around the country you have got to have some supervision. If we make the jigs on which these sections are to be built we have to have technical men on hand to make the jigs, and we have to have somebody to follow through to see that the sections erected on those jigs will come together and not be three or four or five inches apart. They have to be welded together, and that is going to take a number of technical men, a great deal of technical men, and you have got to have somebody to train them.

MR. GERIN-LAJOIE: First of all, will you tell me if you think the number of welders and the number of specialized employees on electronics, and so forth, would have to be as great in your yard if the parts were built in a central place

for all the shipyards of Canada, as you need now?

MR. THICKE: I think so. You have not got the picture yet. The only thing to do is to take you over to the yard, and show you how these sections are put together, I think.

MR. GERIN-LAJOIE: Do I understand now that you build in your own yard most of the parts that are required for building a ship?

MR. THICKE: That is right.

MR. GERIN-LAJOIE: And the same is done in Yarrows, I suppose, and in V.M.D.?

MR. THICKE: Yes.

MR. GERIN-LAJOIE: And in Vickers in Halifax, and elsewhere?

MR. THICKE: That is right.

MR. GERIN-LAJOIE: If those parts were built in a central manufacturing plant in Canada ---

MR. THICKE: They could not be.

MR. GERIN-LAJOIE: They could not be?

MR. THICKE: No.

MR. GERIN-LAJOIE: Can you explain why?

MR. THICKE: They are too big to get across country.

THE CHAIRMAN: That is what I asked, and you said you could bring them from Kamloops. Now, if you can bring them from Kamloops why cannot you bring them from Toronto?

MR. THICKE: I suppose you could. You would have to make them smaller again than what we show. That is possible, of course. You say, for

instance, in Winnipeg there would be an assembly plant -- yes, it could be.

MR. GERIN-LAJOIE: Not an assembly plant, but a manufacturing plant.

MR. THICKE: A unit construction plant. Possibly, yes.

MR. GERIN-LAJOIE: If that was the case, do you not think that the number of welders and specialists in electronics, and so forth, required in your own yard would be smaller?

MR. THICKE: I doubt it, because I think you would find when you did that that for the 14 destroyer escorts that are being constructed now it would take all the technical men we have got across Canada to look after it in the one yard where you are going to make these. It takes a great many technical men to look after that construction.

MR. GERIN-LAJOIE: Well, I quite understand that, but I still cannot see if you were to do less work in your yard that you would still require the same number of men that you do now. If some of the work which is at present done in your yard was done in a central plant for Canada, I suppose you would have so much less work to do, and you would need a smaller number of employees?

MR. THICKE: We must have the men to put it together.

MR. GERIN-LAJOIE: I suppose you have those men now, anyway?

MR. THICKE: We have the men now. That is the nucleus we need.

MR. GERIN-LAJOIE: Not only the men to put the parts together, but the number of men to build the parts also, I suppose?

MR. THICKE: No, I do not think we have got very many of those now. We had more men in the yard when we were building the sections than we have now.

MR. GERIN-LAJOIE: Do you know if consideration has been given by the Canadian Shipbuilders and Ship Repairers Association, or some other group, to the idea that there might be some central manufacturing plant for parts in Canada for the benefit of all the shipyards?

MR. THICKE: No.

MR. GERIN-LAJOIE: When you mentioned in your statement, and I quote, I think, "we may have to use shops scattered around the country", is this a personal idea of yours which is coming out for the first time?

MR. THICKE: That is right. I think that would be the natural result of it if we have to build at the rate we built last year.

MR. GERIN-LAJOIE: Well, would you ---

MR. THICKE: It would be a rather clever idea, I think.

MR. GERIN-LAJOIE: Would you think that would be a partial solution -- of course, not complete, but a partial solution -- to the

problems you seem to be facing now with the insufficient volume of work?

MR. THICKE: How do you mean that? Do you mean ---

MR. GERIN-LAJOIE: Would this make it possible for you to keep a smaller nucleus of men?

MR. THICKE: With that?

MR. GERIN-LAJOIE: Yes?

MR. THICKE: No, I still do not think so -- not less than 1,200.

THE CHAIRMAN: Is there any significance, Mr. Thicke, in the fact that the nucleus estimated by all three British Columbia shipyards seems to be almost exactly what their present employment is?

MR. THICKE: Almost exactly what?

THE CHAIRMAN: Almost exactly what their present employment is?

MR. THICKE: Yes, that is right.

THE CHAIRMAN: In other words, you want to hold on to what you have got as a nucleus?

MR. THICKE: Well, we are building naval ships, sir, and that holds the skilled men. When the naval programme disappears we have ---

THE CHAIRMAN: What reason have you to think that it will disappear? What reason did you have to think that it was going to be created when it was created? Is there not a possibility that the Government will see fit to develop other types of ships in order to keep the Navy modern, and do a great deal of conversion work on ships which are,

perhaps, becoming obsolete due to technical progress, so that you will always have -- as I think one shipbuilder called it -- a core of naval shipbuilding in your yards?

MR. THICKE: Well, if they carry on we are satisfied with what we have got.

COMMISSIONER WICKWIRE: But, Mr. Thicke, you said a moment ago that you needed the commercial work in order to supplement the naval work?

MR. THICKE: That is right.

MR. GERIN-LAJOIE: Mr. Thicke, have you considered to what extent a restriction of the ships to be used in the coasting trade of Canada might eventually raise the cost of transportation of goods on the coast of British Columbia?

MR. THICKE: Well, I thought I answered that a minute ago. I do not think it would increase it very much.

MR. GERIN-LAJOIE: You have not considered what ---

MR. THICKE: That is taking it over a period of time.

MR. GERIN-LAJOIE: Would it be right to say that small operators having at present only a very few ships would be handicapped more than the large operators because they would buy a greater number of new ships, possibly, to expand their business than the large operators would?

MR. THICKE: I suppose the large operator has the advantage to-day, anyway.

MR. GERIN-LAJOIE: Now, if your recommendatinn would -- I think this has been said to the Commission -- if your recommendation would put out of business a number of British Columbia or other Canadian enterprises outside the shipbuilding industry, would you still stick to your proposal?

MR. THICKE: I do not think we would. Do you mean if ---

MR. GERIN-LAJOIE: If, let us say, the implementation of your recommendation would put out of business a logging enterprise, or some other enterprise, in Newfoundland?

MR. THICKE: Because of the ---

MR. GERIN-LAJOIE: Because of the higher cost of transportation resulting from the restriction you propose?

MR. THICKE: I cannot see that.

THE CHAIRMAN: When you say you cannot see it, are you speaking of British Columbia or elsewhere?

MR. THICKE: Well, I am speaking of British Columbia, sir.

THE CHAIRMAN: And because to-day you cannot build any kind of a wooden structure in any place in Canada without using British Columbia fir, you would expect it has enough of a market to stand a small increase in cost?

MR. THICKE: Yes.

MR. GERIN-LAJOIE: If the implementation of the recommendation was to put out of business some enterprise, say, in Newfoundland, would you consider

it possible to have different sets of regulations, or different rules, for different parts of the country regarding the coasting trade and the restriction to Canadian built ships?

MR. THICKE: I think there should be the same regulations across Canada. Now, out here on the west coast we have some islands off the mainland; the same is true for Newfoundland. Newfoundland has got about twice the size of our islands in area. They have pulp mills; our islands have pulp mills. They have sawmills; we have sawmills. They have a mining venture; we have some mining ventures. They have about twice our population, and I think if water ---

THE CHAIRMAN: Who has twice the population?

MR. THICKE: Newfoundland.

MR. MUNDELL: That is, of the islands?

MR. THICKE: Yes, of the islands. I am talking of Vancouver Island and the adjacent islands, and the Queen Charlottes.

MR. GERIN-LAJOIE: What is the population of Vancouver Island now?

MR. THICKE: 200,000 and something -- I have forgotten. I remember seeing it, but I have forgotten.

MR. GERIN-LAJOIE: The total population of Newfoundland is 400,000.

MR. THICKE: I think it is 226,000 on the island -- something like that -- but I think if Newfoundland put its house in order they could

probably use Canadian coastal ships, and maybe their cost of items would be lower. Their method of handling coal is to put it in a basket and dump it out. They will not put in the new methods of unloading. I think their house needs to be put in order, and they will be no more worse off than our island is.

MR. GERIN-LAJOIE: Do you not think Newfoundland has a number of marginal industries which were built when Newfoundland was not part of Confederation, and these industries might not only be adversely affected but would be put out of business if the restriction was put into effect?

MR. THICKE: No, I think the most modern part of Newfoundland is the pulp and paper plants, and I do not think they would be put out of business.

MR. GERIN-LAJOIE: But without going into this subject much further, you do not think ---

THE CHAIRMAN: I do not think that the pulp and paper plants are proper examples of marginal industry, either in Newfoundland or in any place else. There are many industries in Newfoundland which are in a very much more vulnerable position than the pulp and paper plants are. They are shipping gypsum and cement into Central Canada, and, as you can see, a small increase in their transportation costs would put them in a very precarious position as against places like Belleville where there is a huge plant, and Montreal

where they can manufacture the cement a hundredth of the distance away. That, in my opinion, is why they are very worried about transportation costs. As to the pulp and paper plants, the biggest one is the Bowater plant, and it uses now Canadian ships in the gathering of its pulp around the whole island. It ships this pulp in United Kingdom and other bottoms, but two-thirds of the time it is not in coastal shipping, anyway, so they are not concerned with it.

MR. GERIN-LAJOIE: As a last question, may I ask you to explain to the Commission what objection you would have to any subsidy programme instead of the restriction of the coasting trade to Canadian built ships?

MR. THICKE: Well, we think that subsidies are very difficult to enforce -- I do not think that is quite the answer. I think that probably this restriction of the coastal trade would be the answer. Once you administer it, it would be better all round, I think.

MR. GERIN-LAJOIE: But apart from the administrative point of view, do you see any objection to a subsidy programme?

MR. THICKE: For who?

MR. GERIN-LAJOIE: For the shipyards?

MR. THICKE: I do not like that at all.

MR. GERIN-LAJOIE: I quite realize that, but I wonder if you could explain your dislike?

MR. THICKE: Well, assuming there is no

naval work and we have to keep our nucleus in case of emergency, and you are going to supply a subsidy, are we going to have these technical men just walking around and doing nothing?

THE CHAIRMAN: No, no.

MR. GERIN-LAJOIE: A subsidy programme would have to pay the difference, possibly, between the cost of a ship built in your shipyards, and the cost of a ship built in the United States or Great Britain, or elsewhere.

MR. THICKE: Then, you are giving a subsidy to the steamship companies or the shipping companies, but not to the shipyards.

THE CHAIRMAN: That might be, but the shipyards are kept at work. The idea of a subsidy is not something to put grease on your equipment or to pay your technical staff a pension; it is to permit you to manufacture ships by paying a construction subsidy so that the man who has a choice of ordering a ship in the United Kingdom at $1 million or in Canada at $1,500,000 will be aided by the subsidy to order in Canada, and your shipyards will be busy.

MR. THICKE: Well, we would much rather, sir, see the restriction on the coastal trade.

THE CHAIRMAN: Well, why? You have difficulty in assigning a reason. I suggest to you that one reason is that a subsidy comes under regulation, and the Government would be running your business and not you?

MR. THICKE: That is about it, sir.

COMMISSIONER BELANGER: Is there any danger of inefficiency, or anything like that, with a subsidy? With the subsidy you know that the difference will be ---

MR. THICKE: It is not good operating in the yard.

MR. GERIN-LAJOIE: Now, Mr. Thicke, when you supply the Commission with the routine information regarding the additional work the British Columbia shipyards would have expected to have from 1946 to 1955 if we had had the restriction of the coasting trade to Canadian built vessels, would you also tell the Commission what types of ship you would expect to build in the future if we have the restriction, and how the set-up of your yards would be different, in your expectation, from what it would be otherwise?

MR. THICKE: Well, I do not quite follow you. We would -- the type of ship? We would have nothing to do with the type of ship. The customer would do that.

MR. GERIN-LAJOIE: But you know what types of ships are used in the coasting trade over here.

MR. THICKE: Yes.

THE CHAIRMAN: You do have something to do with the type of ship, too, do you not? Are you not the leader? A man comes in and he has a job he needs done, and he sits down with your designers, and they can tell him more about the type of ship

he wants than he knows?

MR. THICKE: That is right. He would possibly want -- the C.P.R. might possibly want another ferry for Victoria or Nanaimo, or another company might want another log barge. There are tugs and barges which require technical knowledge and skill, and there are passenger ships.

THE CHAIRMAN: This is the answer that you are to get for Mr. Lajoie -- he wants to know what you would have had since the war if the coastal trade had been limited to Canadian built ships. I think you are going to have difficulty in making that a realistic answer, are you not?

MR. THICKE: What we can do is find out what ships were imported, and what ships were built, and hope that we would have got some of them.

THE CHAIRMAN: Yes, but I suggest to you that to take that total and say, "That is what we would have done" would be impossible. You could not possibly say that?

MR. THICKE: No.

THE CHAIRMAN: Because you heard Mr. New say earlier: "We could not have built them", and that was without, in any way, commenting on whether your costs were proper. They were in effect, anyway, and he said, "We could not have built our industry on those costs". So, if they could not supply themselves with a cheap subsitute they would not be there?

MR. THICKE: Well, I object to that, sir,

because the paper company here wished to bring in three landing barges to turn them into log barges ---

THE CHAIRMAN: Yes?

MR. THICKE: They went to the Minister of Transport for permission to bring them in. They said they would supply to the shipyards in British Columbia $100,000 worth of work on each barge. The Minister of Transport turned it down. They told him if they did not get them, that work would not come in. But, the conditions in the log towing business necessitated another method of transport, and a year and a half later they came to us and we built them two log barges carrying 1,500,000 feet for something like $1,500,000. Instead of $300,000 the shipyards got $1,500,000, and I am sure the paper company is doing a cheaper job of transportation than they were doing before. It is not that the tug boat companies are producing this work; it is the primary industries that require it, and if the tug boat companies ---

THE CHAIRMAN: In Victoria the primary industries are working at a big enough return to pay for transportation?

MR. THICKE: Yes, it is the primary industries that produce the work for the tug boat companies.

THE CHAIRMAN: It would do you very little good to have the coasting trade restricted to Canadian built ships if the companies could not afford to buy the ships, would it?

MR. THICKE: That is right.

THE CHAIRMAN: Are you finished?

MR. GERIN-LAJOIE: That is all, Mr. Chairman.

THE CHAIRMAN: There was one other topic I wanted to put to you, Mr. Thicke. Suppose the Government implemented a recommendation that the shipping trade be limited to Canadian built ships, would that result in any particular amount of work for larger ships such as you and Yarrows specialize in in British Columbia?

MR. THICKE: Well, it would. There were about 72, I think they told you in Victoria, ships built. Those would be for the Union Steamship Company, which would have to have replacements, and the C.P.R. and the Canadian National.

THE CHAIRMAN: Let us assume that they would all have to have replacements over the years, but why should they order them from one of those three yards?

MR. THICKE: Well, they could order them from Vickers or Marine Industries.

THE CHAIRMAN: I suggest that when you consider the figures of the wage scales -- $1.58, and $2.02 here -- it is highly probable that they would go to Vickers?

MR. THICKE: It could be.

THE CHAIRMAN: Because ships are mobile things, and although the whole British Columbia interior economy is tied to its interior wage scale, there is nothing to prevent a ship being brought in from any place at which it could be built?

MR. THICKE: No.

THE CHAIRMAN: So I wonder if you have any false hopes in making the recommendation so long as the ---

MR. THICKE: No, we will take that chance.

THE CHAIRMAN: Is it that you think that the workmen earning $2.02 in the Vancouver yard can produce equally with the workmen earning $1.58 in a Quebec City yard?

MR. THICKE: I do not know whether I should say that in front of the Labour forces here. They will want a further increase.

THE CHAIRMAN: I suspect that, otherwise they would not have got the $2.02.

MR. THICKE: I believe we get more from our workmen here than they do in, say, Vickers.

THE CHAIRMAN: Is there some difference in the modern character of the plant and equipment?

MR. THICKE: No, I think it is the men.

COMMISSIONER BELANGER: So you think that productivity would compensate for the difference in---

MR. THICKE: That helps, and I think their overhead is a bit lower than ours.

THE CHAIRMAN: You see, Mr. Thicke, that brings in the whole question of the wage differential between the United Kingdom and here which reflects the wage differential generally through the labour market between the United Kingdom and here, and when I say "here" I speak of the North American Continent. That wage differential has always

been justified and has been possible only because with modern plant management and modern procedure the North American workman can out-produce his European counterpart, and he is, therefore, entitled to get more wages. It has never been so in shipbuilding, according to the arguments we have had, and cannot be in shipbuilding. Now, I think the evidence that you and other skilled shipbuilders have been giving has been tending to show that it is becoming more and more so in effect in the shipbuilding industry because, as you point out now, everything is not built within your yard; it is built all over the Dominion of Canada and gathered into your yard, and it is even built in factories where this type of organization is present -- the same thing that made the automobile industry so tremendously efficient in spite of the huge wages they pay. Now you are even talking about breaking up the parts of the hull, and you showed us when we were there how parts of the hull were built in one place, and moved across and put into the ship?

MR. THICKE: Yes.

THE CHAIRMAN: Is it not possible that the same type of production line assembly will be taking place as to parts of the hull? I think the modern tendency in shipbuilding plants is to make North American efficiency of labour and machinery pay off, so that your differential can be smaller instead of larger, and that it will be smaller as you get work, because certainly even apart from

overhead -- I wonder if you agree with this proposition -- even apart from overhead a larger amount of work will be smaller unit costs -- that is leaving aside overhead altogether, because you can use more of your machine technique on the larger.

MR. THICKE: Yes.

THE CHAIRMAN: Well, thank you, Mr. Thicke. Is there further examination of Mr. Thicke?

MR. WRIGHT: I have nothing to ask, Mr. Chairman.

THE CHAIRMAN: Thank you, Mr. Thicke. We will have a recess of ten minutes.

---A short recess.

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: The next brief is that submitted by Straits Towing Limited, and Mr. Graham Chambers is appearing on behalf of Straits Towing Limited.

SUBMISSION OF STRAITS TOWING LIMITED

---(Mr. Graham Chambers appearing.)

THE CHAIRMAN: Q. Yes, Mr. Chambers?

A. You have received a copy of our brief rather belatedly, I think, but I would prefer not to read it. I would just like to read the requests that we have. We feel the growth of Northern British Columbia is going to be hampered to a certain extent by the panhandle of the United States, and the fact that under the Jones Act we

are barred -- that is, Canadian Transport Companies are barred -- from transporting Canadian merchandise from a port such as Taku, Alaska, or Haines, Alaska, to another American port. We request that if at all possible some treaty agreement be entered into with the United States Government to allow the transport of Canadian merchandise through ports such as Haines or Taku.

In the event that that is not possible we request that perhaps the Canadian Act should be amended to provide equivalent legislation barring the transport by American equipment of items of Canadian origin.

For example, I think it has been brought out that an American company can set up a subsidiary in Canada, and through the purchase of a Canadian vessel engage in the Canadian coasting trade. We, in Canada, although we might have every desire, and have the contacts, to get a contract are not allowed to form a corporation in the United States, to buy American equipment and to engage in American coastal trade. We are not afraid of competition. We feel that our particular company and, I think, the towing industry, can do an excellent job. We think, though, that we should play under the same rules as the other team does.

THE CHAIRMAN: Where is Taku on this map? -- Yes, I see. I think this brief should have an exhibit number.

THE SECRETARY: Exhibit No. 62.

---EXHIBIT NO. 62: Brief of Straits Towing Limited.

THE CHAIRMAN: Q. The cargoes to which you refer, Mr. Chambers, originate in Canada?

A. In the particular instance mentioned in our brief, it is ore that is mined at Tulsequah, British Columbia, which is a mine owned by Canadian Mining & Smelting.

Q. That comes down the Taku River, does it?

A. Yes, by small barges.

Q. Where is it trans-shipped?

A. It is trans-shipped at Taku Inlet, Alaska. There is no harbour there. There are no docking facilities. The equipment we send up to bring it down from Taku -- each of those barges -- is equipped with a special set of equipment, and it just digs down with a clamshell into the small barges and loads it into the large barges.

Q. Is that near Juneau?

A. It is just south of Juneau.

Q. Where is it bound?

A. I would say a large portion of their output is zinc, silver and lead, which goes up to Trail. It is loaded at Vancouver, and goes on to Trail.

Q. You cannot be barred from that?

A. No, we have no trouble there, but, however, a large proportion of their production is copper concentrates, and the smelter at

Tacoma is the only place to smelt copper, and accordingly it has to go down to Tacoma. We have been forced under the American Customs Regulations to trans-ship to another ship before it takes the second step on the journey.

Q. That is merely to comply with a legal formality. It has no purpose or use for us?

A. No; it is a costly proposition as well. We find that one of the difficulties in dealing with the United States Government in this case is that in many cases we cannot get a firm ruling as to what we should do, and all we can do is take a chance, and if we contravene the Act they confiscate our equipment and we have to go to Washington to get it back.

Q. I suppose the extra cost of trans-shipment is a cost that you have to absorb in order to compete with an American barge coming up to take it from Taku Inlet to Tacoma, because both of those places are in the United States and are within ---

A. That is definitely so, because an American piece of equipment can come up, you see, and transport the Canadian portion. There is nothing to stop an American competitor from coming in and taking the silver and lead from Taku, Alaska, to Vancouver, British Columbia, so we, in turn, have to be more than competitive because he could get the whole contract in the same manner as we have. So, as you see, it comes right out of our pocket.

MR. MUNDELL: Q. Section 671 of the Canada Shipping Act does provide that no goods shall be transported by water or by land and water, from one place in Canada to another place in Canada, either directly by way of a foreign port, or any port, in any ship other than a British ship. You said a moment ago that there was nothing to prevent a United States ship picking it up in Alaskan waters, that is, at Taku Inlet, and bringing it down to Vancouver?

A. Yes.

Q. Might you not complain that that is a contravention of Section 671 of the Canada Shipping Act? I do not know whether you have it there.

A. No, I am sorry; I have not got it here.

MR. MUNDELL: It is a very similar wording to that of the Jones Act.

THE CHAIRMAN: And the Jones Act, I know, is similarly enforced in that there are goods moving into Alaska through Prince Rupert originating in, say, Connecticutt. Under the Jones Act the U.S. Federal authorities have ruled they are moving in the American coasting trade. It is true they have granted some kind of permit permitting the navigation company in Prince Rupert to pick them up simply because they have not got any U.S. ships available to do it.

A. There is an Act actually that is enforced each year with respect to it that allows them to go into Hyder. This still has never

been enforced by American ships for a great number of years.

This section of the Act applies a different interpretation to my thinking. I do not know whether it has been because the Act has not been enforced.

MR. MUNDELL: Q. This Commission is concerned entirely with the coasting trade in Canada and not with the United States coasting laws except in so far as it involves matters in the Canadian coasting trade. Have you taken this question up with the External Affairs or any of the other Departments in Ottawa to have representations made to Washington?

A. Yes, we have. This matter was brought to the attention of this Commission with the feeling that perhaps something might be done.

Q. Even if the Commission felt it was outside its jurisdiction, you would be satisfied to have it brought to the attention of the proper Department or authorities in Ottawa?

A. Yes. The whole thing boils down to the fact that possibly this Panhandle should never have been American territory.

THE CHAIRMAN: We have heard that some place before.

MR. MUNDELL: I think Lord Alverstone is responsible for that.

Q. Now then, your first recommendation is that representation be made to the United

States Government to clear up this position on the Panhandle. Your second recommendation in your brief is that the Canadian Government strengthen Canadian coastwise regulations so as to prevent American and other foreign vessels from carrying cargoes originating in Northern British Columbia ports effecting delivery at another Canadian port. I suggest to you we would have no knowledge any law is necessary.

A. I think our law is quite strong. I misread the Act. The expression for coasting trade is slightly different in that regard. It says, "Coasting trade means the movement of vessels and transport of goods or passengers for gain or hire from one port or place in Canada to another port or place in Canada."

Q. Omitting the "directly or indirectly" and "through a foreign port"?

A. That is correct. Section 671 certainly, if it is enforced through our Customs Department which I see no reason why it should not be done, would certainly seem to cover the point.

The only other point I have to bring up is this question of perhaps allowing Americans to come up here and incorporate Canadian companies which in turn can buy Canadian ships and compete in the coasting trade.

Q. You were here the other day and you heard that fairly thoroughly discussed?

A. I wasn't here. I merely bring

that up.

Q. You are adding your support?

A. That is right.

Q. I was going to ask you for the record the Straits Towing Limited is Canadian owned?

A. Yes.

Q. What is it, a British Columbia ---

A. It is a British Columbia company.

Q. You say you were formed in 1942 and have a number of subsidiary companies. Does the Straits Towing Limited feel any competition from U.K. ships in their business?

A. I don't think we do.

Q. I thought we might explore some of your experiences even though you are not putting forward recommendations on this point.

A. I would say we are in the barge and tug business primarily. I cannot imagine any barges or tugs coming over from the U.K. The Cargo carried by the average freighter is not the type that would compete with us. We move basically bulk commodities such as ore, hog fuel, chips, items of that sort, which normally are not economical for the tramp steamer to transport.

Q. Well then, your company is not making any recommendation on the other matters which are before the Commission such as have been made by other companies, restrictions or subsidies and so on?

A. No, sir.

Q. You are not taking any stand on those questions?

A. We support the Tow Boat Owners Association, being members of that Association. We certainly lend our support to their brief.

Q. In view of the fact that I think your first recommendation really is a matter that is between the Canadian Government and American Government and a matter for diplomatic negotiation and I think your second one is covered by the existing law Section 671 of the Canada Shipping Act?

A. Yes, it seems to be fairly clear. I must apologize for not having read that over.

THE CHAIRMAN: Thank you, Mr. Chambers.

MR. GERIN-LAJOIE: The next presentation is to be made on behalf of the Labour Progressive Party, British Columbia Provincial Committee. I understand that Mr. Zlotnik is appearing.

SUBMISSIONS ON BEHALF OF THE LABOUR PROGRESSIVE PARTY, BRITISH COLUMBIA

MR. GERIN-LAJOIE: Q. Would you please give your initials and name for the purpose of the record, Mr. Zlotnik?

MR. ZLOTNIK: S.P. Zlotnik.

MR. GERIN-LAJOIE: Mr. Zlotnik, you have filed with the Commission a statement within the last day or two, which should be filed as an exhibit, I believe No. 63.

---EXHIBIT NO. 63: Written submission filed by the Labour Progressive Party, British Columbia Provincial Committee.

MR. GERIN-LAJOIE: You may therefore assume, Mr. Zlotnik, as in the case of the other submissions your submission has been read by the Commissioners. If you care to give any further explanation you may do so now. Firstly, do you have extra copies of your brief?

MR. ZLOTNIK: How many more would you like? I think I can get about seven or eight.

MR. GERIN-LAJOIE: We would require a total of 25.

MR. ZLOTNIK: I will file those.

Mr. Chairman and gentlemen. Since you have our submission I do not intend to read it or say very much on it. As you can see, it is not so much a detailed factual survey as a submission of policy.

Now, the organization I represent feels that what is involved, more than anything else, is a question of national economic policy. We have been concerned for quite a number of years with what has happened to the Merchant Marine and what has happened also to the shipbuilding industry. As we have set out here, we also feel that legislation in respect to coasting trade is still a reflection of the status which Canada had many years ago when it was a colony. The legislation has not marked time with Canada's emergence as a sovereign state. That has been brought forward here in the last few

days in making comparisons. For example, I think perhaps the country which safeguards its sovereignty in that respect, more than any other, is the United States. If one would like to compare the legislation there -- I believe that has been done here.

Now, I think that perhaps if I can just refer to an editorial in yesterday's Sun, not as something to be contained in the record as factual but perhaps it can place the issue fairly well.

The Sun editorial says this:

"That Canadians are hewers of wood and drawers "of water for Americans was a common charge "40 or 50 years ago. We are told however "that the extraordinary expansion in Canadian "economy in the past ten years has made a "difference. Has it? To answer this the "Globe & Mail takes U.S.-Canadian trade "figures for a 'typical' early year, 1912, "and sets them against figures for 1954.

"To summarize, says the Globe & Mail, "a good four-fifths of what Canada sold to "the U.S. in 1912 was raw or nearly raw "materials.

"In 1954, Canadian exports to the U.S. "totalled $2,300,000,000. This time forest "products $1,100,000,000 headed the list "with newsprint accounting for half of that "sum. Primary and semi-fabricated metals "amounted to $400,000,000, agricultural "and animal products came to almost

"$400,000,000. A good half represented "raw or nearly raw stuff. Only newsprint "at $560,000,000 saved the proportions from "being the same as in 1912.

"As to imports, 1912 saw Canada take "$330,000,000 from the U.S. with manufactured "products amounting to $193,000,000, "minerals, mainly coal, to $50,000,000, "agricultural products to $43,000,000. "Almost two-thirds were manufactures, "much of them worked up from Canadian raw "materials.

"Imports in 1954 were $2,900,000,000. "Iron and its products, mostly machinery "and vehicles, came to $1,100,000,000. "Non-ferrous metals and products, mostly "electrical goods, $261,000,000; chemicals, "$200,000,000; aircraft and parts, $100,000,000; "miscellaneous manufactures, $200,000,000.

"Again, as in 1912, two-thirds of our "American imports were manufactures."

Well, quite apart from that, I know that is a pretty accurate statement of our market, of our imports and exports. I think that if we are going to discuss a question which was raised here, is it good policy -- is it good policy for Canada to build ships in this country at a high cost than to go and purchase them from England? Should we do that?

Well, I think one has to answer that

question in relation to the total economic picture, the total problem rather than in regard to some special interest. I think one has to ask the question, "Will there ever be a time when we can produce ships or other manufactures, which we produce here at a greater cost than, say, some other country?" Well, will there ever come a time when we can produce them as cheaply if we are going to enter the picture? There has to be a beginning. Are we going to confine ourselves to being manufacturers - not manufacturers, but producers of raw materials? Will we develop in an all-sided fashion economically if we continue to concentrate overwhelmingly in the production of raw materials?

I think that is very much in issue and, as I have said, of particular importance if we are going to make a break and begin to have a more rounded economy and to process our goods and finish them in this country, and could not a start be made by a recommendation of this Commission in regard to such a vital sector of our economy as a maritime industry?

I do not think that it is compatible with Canada's status as a leading maritime nation that the overwhelming bulk of its goods should be transported in foreign bottoms, and can we separate the effect that would result from having a large merchant marine in addition to our shipbuilding industry?

Can we isolate it from the United States?

I think the Commissioner was right -- I think the Chairman was correct when he said earlier that the discrepancy between the costs in Britain and Canada is being narrowed. It certainly was narrowed during the World War. Whether it is being narrowed, of course, is another question, but I do not think there can be any doubt from the facts presented to this Commission of the achievements of Canada during the Second World War in the production of ships.

I worked myself in the Burrard Shipyards during the early part of the war before I entered the Armed Forces.

Can it be isolated? I do not know that it can be. If Canada had a thriving shipbuilding industry and a thriving merchant marine costs would be greatly reduced.

I think we have to look at it also from the point of view of the employment of the technical skills and trades, for our own technically trained people. I think that is a vital aspect of the problem. This is just a brief summary of the views put forward by my organization. Our recommendations -- there are first restrictions. We propose that the coasting trade should be confined to ships built in Canada, owned by Canadians and registered in Canada. There are detailed points there. We are not so much concerned with citizens and achieving the intent of that proposal. The intent of that proposal is to preserve, if you like, the Canadian coasting waters for Canadian ships in the

main.

The second proposal is subsidies. We propose subsidies for particularly the deep-sea merchant marine. As I said earlier I do not think you can isolate that from the question of our shipbuilding industries and costs.

I think that in brief summarizes our proposals.

MR. GERIN-LAJOIE: Q. Mr. Zlotnik, I have one or two questions to ask you in connection with your brief. On the first page you refer to the intention or the post-war failure of the Canadian Federal Government to maintain the level of shipping and the shipbuilding industry of Canada. Can you tell the Commission when and where this objective was announced by the Canadian Government?

A. Well, I know it was by Ian MacKenzie. I do not have the exact reference with me here at the moment where and when it was made, except it was during 1945.

Q. Can you get that?

A. I am sure I can provide it.

Q. It would be useful to the Commission to know exactly what reference you have in mind here.

On page 2 of your brief you mention that the employment in the B.C. shipyards is shrinking to less than one-fifth of the number working at the end of the war. Do you consider such a shrinkage of one-fifth is abnormal for an industry which is partially a war industry?

A. Well, I would say that it would not possibly differ as between -- in other words, I would say as far as Canada is concerned with an expanding economy and expanding trade, that it is abnormal.

Q. Do you mean that you consider we should have a shipbuilding industry and repair industry almost as large in peacetime as in wartime?

A. Well, I think that the picture -- considering the expansion of the industry in the Second World War was from almost nothing from a low point -- I do not think that the level achieved during the Second World War is at all unreasonable in relation to Canada's importance as a seafaring nation, as a maritime nation whose imports and exports are $4,000,000,000 this year.

Q. When you are referring to imports and exports I realize that you refer to international trade and international shipping.

A. That is right.

Q. Not coast-wise?

A. No, my observation -- I realize the Commission is mainly concerned with the coasting trade, but I have tried to point out there is a connection between our policy in regard to the merchant fleet.

Q. On page 3 of your brief you refer to the policies of some other countries. Particularly you say that "Canada is the only Commonwealth country, and the only country amongst the great

trading nations, which permits ships other than those built, registered and owned at home, to operate without very stringent restrictions in her coasting trade." This statement, I imagine, does not apply to the United Kingdom, does it?

A. You mean that the United Kingdom -- the statement does not include the United Kingdom as one of those countries that has very stringent regulations?

Q. Yes. "Canada is the only Commonwealth country, and the only country amongst the great trading nations". You do not consider by this statement that the United Kingdom is a Commonwealth country?

A. Well, I would consider that she is, yes.

Q. But the United Kingdom does not have any restrictions on ships operating in her coasting trade, does she?

A. Well, if it does not then you are correcting me, because I did not know that.

THE CHAIRMAN: Q. Not only does she have no restrictions, but she is subject to some rather dangerous competition from Norwegian ships who are engaged in the coasting trade of the United Kingdom.

A. If that is so, then that should be corrected to except Great Britain, but certainly it applies to Australia and the other Dominions.

Q. Are you aware of the Australian

situation, that there was proposed legislation over there to restrict in a certain way the coasting trade over there; but that legislation has not been put into force, has not been proclaimed.

A. I understood that ships, other than Australian ships, plying there coast-wise and in the coasting trade, had to conform to Australian manning conditions and wages.

Q. Can you supply the Commission with the source of your information, because it does not appear to be in conformity with the information submitted by some other persons or groups.

THE CHAIRMAN: That was the statute, but the statute has never been declared in effect.

A. Well, I do not have anything to support that, but that was my understanding.

THE COMMISSIONER: You infer that there is a regulatory effect of a statute passed by the Government.

MR. GERIN-LAJOIE: Q. Do you know about the situation in India, which is another Commonwealth country, or do you have any information of that?

A. India has just recently arrived at the stage -- as I say, one has to look at the Commonwealth countries in terms of their historical development.

Q. I was wondering what you had in mind when you say "Canada is the only Commonwealth country of the Commonwealth countries, apart

possibly from South Africa, which excludes from the coasting trade all ships apart from their own Nationals."

A. Well ---

Q. Because we have had quite the contrary information.

A. Well, apparently if what you say is correct as to Great Britain, this is in error in respect to that. I think there is quite a marked difference in regard to the legislation in Australia and Canada. I do not know for sure. I do not have any information there.

Q. Australia was actually the only Commonwealth country you had in mind when you made this statement, is that correct?

A. Particularly if that is in error in Britain.

Q. Looking at pages 3 and 4, you refer to the United States and you mention that Canada is permitting an ever-increasing number of American-built and American-owned vessels to operate in the Canadian coastal trade. Do you really mean that American-owned vessels operate in the Canadian coastal trade?

A. Well, I was not referring exactly to freight carriers. I was thinking of the Black Ball Ferry Line, for example.

Q. Is this the only instance you had in mind?

A. That is a particular instance that I

had in mind. That is a recent development in the passenger trade, operating a number of vessels.

Q. Does this company operate in the coasting trade from between British Columbia and the State of Washington?

A. Not the coasting trade. She runs ferries to Vancouver Island.

Q. From Vancouver Island to the United States, is that right?

A. Well, they do that also, but it is running to Nanaimo and back again.

Q. You mean in the course of its international line it serves more than one Canadian port?

THE CHAIRMAN: No, he means exactly what he said. It runs back and forth between Vancouver and Nanaimo but it is a Canadian corporation.

A. Yes, sir, it is Canadian-owned.

Q. Americans own shares in it?

A. That is right. It did not say it was an American company.

MR. GERIN-LAJOIE: This is all the questions I have, Mr. Chairman.

THE CHAIRMAN: Are there further examinations?

Thank you very much, Mr. Zlotnik.

Well, gentlemen, I think probably that completes the hearings in Vancouver. I am sure my fellow Commissioners will join me in stating that we have received a great deal of useful information

during this hearing, and we shall have to take some considerable time to digest all of that. We wish to thank those who have devoted so much time and ability to the preparation of representations which have been submitted to the Commission. We will now adjourn.

---The hearing adjourned at 12.40 P.M.

ROYAL COMMISSION ON COASTING TRADE

VOL 8

Regina & 2nd Winnipeg SESSIONS

Pages 2502 to 2802 incl.

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INDEX TO VOLUME VIII

INDEX TO EXHIBITS

No.	Page	Description
68	2673	Submission of the Winnipeg Chamber of Commerce, dated September 8, 1955.
69	2740	Letter and enclosure from Hudson's Bay Route Association to The Chairman of the Royal Commission on Coasting Trade, dated September 2nd, 1955.
70	2765	Brief of Manitoba Federation of Agriculture and Co-Operation, dated August, 1955.

Regina
Lake A.
Sept.7
RB

ROYAL COMMISSION ON COASTING TRADE

Hearing held at Regina, Saskatchewan, on Wednesday, September 7, 1955 commencing at 9.30 A.M.

PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice W.F. Spence.

Mr. W.N. Wickwire, Q.C.)
) Commissioners
Mr. M. Belanger, C.A.)

Mr. D.W. Mundell, Q.C.)
) Commission Counsel
Mr. Paul Gerin-Lajoie)

Mr. H. Kemp - Economic Adviser to the Commission

---Mr. G.G. McLeod - Secretary

---Mr. P. Cimon - Asst. Secretary.

THE CHAIRMAN: This is a sitting of the Royal Commission on Coasting Trade. I am sure you are all familiar with the matters referred to the Commission by the Privy Council Order. The terms of reference have already been marked as an exhibit, and there is no need to have them marked again at this time. I think, however, we should ask those various persons who are speaking to the briefs to identify themselves now so that we may have a record in the stenographic transcript.

DEAN CRONKITE: My name is "Cronkite", and I am appearing for the Government of the Province of Saskatchewan. I was also asked to say that Mr. R.H. Milliken, Q.C., will appear for the Saskatchewan Wheat Pool, but he is unable to be present this morning.

THE CHAIRMAN: Is it R.H. Milliken?

DEAN CRONKITE: Yes. I think, Mr. Chairman, that there is a representative from the Saskatchewan Farmers' Union; if not, I understand Mr. Ferguson will be here for the Saskatchewan Farmers' Union.

THE CHAIRMAN: Yes, Mr. Cronkite?

DEAN CRONKITE: Mr. Chairman and members of the Commission, the Honourable J.T. Douglas, Minister of Highways and Transportation of the Saskatchewan Government, is present, and he would like to say a word of welcome on behalf of the Province.

MR. DOUGLAS: Mr. Chairman and members of the Commission, I assure you we are very pleased to have you in the Province, and I am glad to have this opportunity of welcoming you to Saskatchewan. I would like to take this occasion to bring you the regrets of the Premier at his being unable to attend this morning.

I might also say that we have just completed a week-end of celebration. As you know, we have celebrated the fiftieth anniversary of the birth of the Province, and we were most fortunate in having with us the Prime Minister of Canada, our own Premier, and all of the former and past premiers

who are alive today. We also had very close relatives of the two former premiers who have passed away since that time.

Now, during our celebration we did pay tribute to our pioneers, and we certainly celebrated the achievements which have occurred throughout the last fifty years of progress, but we are looking to the future, and we are certainly glad to know that this country is proceeding with the St. Lawrence Seaway. We feel it will prove to be of great economic value to the country, and in a province such as ours where transportation plays a very important part in our economy we are most pleased that this project has been gotten underway, and we are hoping that it will prove to be of value to our people.

I might say, Mr. Chairman, that we have a project in this Province which has been talked of for some time and which we believe also will be of economic to the Dominion of Canada, and we are hoping that it will be gotten underway in the not-too-distant future.

I would like to say that we appreciate the difficulties with which you are faced in a task of this kind. I have been in public life long enough to know that when there is a divergence of opinion, as there naturally is in a project of this nature, that your task if not an easy one, but I feel that the people of Canada are most fortunate in having three men on this Commission with the knowledge and understanding of the problems

that you have, and I feel that the service you are giving will be of great value to Canada.

Again, I want to welcome you to the Province, and I also want to say that we appreciate the fact that you are holding this hearing in this City, and giving this portion of the country an opportunity to express its views on this most important project.

THE CHAIRMAN: Thank you, Mr. Douglas, on behalf of the members of the Commission. We very much appreciate your kind words.

MR. DOUGLAS: Thank you, sir.

THE CHAIRMAN: Mr. Mundell?

MR. MUNDELL: Mr. Chairman, it is my understanding that there are only three briefs to be presented here -- the brief of the Government of the Province of Saskatchewan, the brief of the Saskatchewan Wheat Pool, and the brief of the Saskatchewan Farmers' Union. It had been suggested that the Federation of Co-operatives would be making a presentation, but I understand that that is not so.

DEAN CRONKITE: I was informed by the Secretary that they would not appear.

MR. MUNDELL: Then, I believe, there was a brief on behalf of the Saskatchewan Government on a very special point in connection with the Navigable Waters Protection Act. Is there anything to be said to that brief?

DEAN CRONKITE: I was given no instructions on that.

THE CHAIRMAN: I think there has been

correspondence between our Secretary and the Government officials on that point.

DEAN CRONKITE: Perhaps it could wait until noon, and I will find out about that, but I have received no instructions whatever concerning it.

MR. MUNDELL: I believe the Secretary has been in communication with the Alberta Federation of Agriculture.

THE CHAIRMAN: They will not be appearing.

MR. MUNDELL: It had been suggested that they would be here, but I understand that that is not so. That leaves us with the three briefs I have mentioned. Possibly the brief on behalf of the Federation of Agriculture might be filed as an exhibit.

THE CHAIRMAN: Yes, it should be. It will be Exhibit No. 64.

---EXHIBIT NO. 64: Brief of Alberta Federation of Agriculture dated August 31st, 1955.

THE CHAIRMAN: The Province of Saskatchewan should present its brief first.

MR. MUNDELL: Yes.

THE CHAIRMAN: Then, if you are ready, Mr. Cronkite, will you please commence.

DEAN CRONKITE: Mr. Chairman, the Saskatchewan Wheat Pool is presenting a submission and the brief has not been filed. Copies are now available and, perhaps, the Secretary would like to have some of them.

THE CHAIRMAN: Yes. It should be put in

and given an exhibit number.

SUBMISSION OF THE GOVERNMENT OF THE PROVINCE OF SASKATCHEWAN

Dean F.L. Cronkite appearing.

DEAN CRONKITE: Mr. Chairman, some months ago the Government of Saskatchewan filed a brief with your Commission. At that time I think there was no thought of presenting a witness. It was a general statement on policy which the Government put forward as their opinion, and it was a statement which was approved by the Cabinet and signed by a Minister of the Government. However, I have since understood from the Secretary that it would be desirable to have a witness who might be questioned with reference to any ambiguous language in the brief, and having regard to that I propose to call Mr. Bernard Sufrin. I am not qualifying Mr. Sufrin as an expert, although I think he is an excellent economist. He is a graduate of Sir George Williams' College and McGill University, and he has been in the employ of the Saskatchewan Government for about seven years.

BERNARD SUFRIN, called.

DEAN CRONKITE: Mr. Sufrin, you had some hand in the preparation of this brief, did you not?

A. Yes.

Q. Have you anything further you would like to add by way of supplement or correction,

or anything of that kind, to the matters stated in the formal brief?

A. No, we have no additional material prepared.

DEAN CRONKITE: Q. You are going to let it stand as it is.

That is all I have to say, sir. I have no further questions.

THE CHAIRMAN: Mr. Mundell?

MR. MUNDELL: Q. There are one or two things I would like to enquire into, and perhaps I should start off with the usual preliminary explanation. Mr. Lajoie and myself seem to find ourselves in the position of prosecuting counsel and you in the position of a defending witness, but that is only a formal matter because we are trying to test the assertions you are putting before the Commission. I was wondering if we could go through the brief and ask you whether you have additional information on certain points that you have dealt with in a rather general way. I wonder if Mr. Sufrin could have a copy of Volume III of the briefs? It is brief No. B-90. I am going to refer to certain passages here, and I think it would be best if we can use the same page numbering. At page 1 of the submission at the bottom of the page reference is made to the fact that a very large part of Saskatchewan's requirements in consumer and producer goods, such as farm machinery, automobiles, building supplies and canned goods, must be

imported from other parts of Canada. Have you any figures that would show the volume of these imports, or can you suggest a source from which they can be obtained?

A. We did not attempt to collect that information for the purpose of this submission, but if my memory serves me correctly I believe a study of that question was made in connection with the brief to the Royal Commission on transportation. I would have to refer back to that to see if that is correct.

Q. That would be the 1951 Commission, would it?

A. Yes, made in 1949.

Q. I was going to come to that point at a later stage, but possibly we can dispose of it now. Could a copy of the brief submitted by the Saskatchewan Government to the Royal Commission on Transportation be filed with this Commission?

DEAN CRONKITE: Yes. I can file it now, if you do not mind that mark on it.

MR. MUNDELL: Could this be filed and marked as an exhibit?

THE CHAIRMAN: Exhibit 65.

---EXHIBIT NO. 65: Submission of Province of Saskatchewan to the Royal Commission on Transportation dated September 12th, 1949.

MR. MUNDELL: Q. Your recollection is that in that submission there are figures of the

west-bound traffic coming into Saskatchewan?

A. I would have to check on that, but that is my impression at the present time.

Q. Do you know of any other source where that information would be available if it is not in here?

A. No, I do not, other than the usual statistical material.

COMMISSIONER WICKWIRE: Q. I am sorry, but I cannot hear you.

A. Other than the statistical material published by the Dominion Bureau of Statistics. We have no other source.

MR. MUNDELL: Q. In the paragraph at the bottom of page 2 you point out that the difference between the amount of production and the amount shipped set out in the immediately preceding tables is made up of grain destined for Churchill and the Pacific Coast, and so forth. Can you give the Commission any information on any changes in this amount of traffic that are likely to result from the St. Lawrence Seaway?

A. Perhaps not a change that will result from the construction of the St. Lawrence Seaway, but it has been noted, of course, that there may be a considerable change in the distribution of this traffic as between Port Churchill and the Atlantic and Pacific Coasts depending, firstly, on the level of ocean rates at the respective ports involved, and, secondly, possibly the desire of British

millers and shippers to make use of one seaboard as against another because of any temporary advantage. I understand that it is on occasion necessary for the Canadian Wheat Board to establish a differential as between Vancouver and the Lakehead in order to equalize the rates because of this temporary change in circumstance. As to the construction of the Seaway, I would presume it would tend to encourage a flow of grain traffic in that direction provided the indicated savings in transportation charges, which are referred to by various authorities, will be actually realized. Beyond that I do not know if anyone is in a position to say what the precise effect of the construction of the Seaway will be.

Q. It has been suggested to the Commission that the East-West -- I suppose you might call it the "grain-shed" -- that is the point from which the grain would either move to the East or the West -- it has been suggested that that would move further West.

A. I think that would tend to be the case.

THE CHAIRMAN: Q. Where is that line now, Mr. Sufrin? Is it in the Province of Saskatchewan or in the Province of Alberta?

A. As I understand it, it is in the Province of Saskatchewan. Alberta grain tends to go to the Pacific Coast.

Q. Would it split at the provincial boundary, or somewhat east?

A. That I could not say.

Q. Would you say it is approximately in that general area?

A. At the present time?

Q. Yes.

A. I think it is somewhere within the two boundaries of the provinces. It is not ---

MR. MUNDELL: Q. Wait a minute; I am confused here. Would you say that the whole of the Province of Alberta ships to the West Coast?

A. No, but depending on how the freight rates vary it is more likely to be to their advantage to ship to the West Coast, and the same would apply to parts of Saskatchewan.

Q. Then, part of Saskatchewan also ships to the West Coast?

A. If the differential is sufficiently great, yes, part of Saskatchewan would tend to ship to the West.

Q. You speak of changing conditions. How do the freight rates vary in that respect?

A. Well, a concentration of ships at any particular time of the year at Vancouver resulting in temporary lower freight charges at the port of Vancouver, or a deliberate policy on the part of British importers to make full use of British ships which are available in that area.

Q. It is the variation in the ocean-going rates that makes the difference.

A. Yes.

Q. And that is a matter which might

differ with each cargo?

A. Yes, and at various times of the year.

Q. Have you information that you can give the Commission indicating a variation in these rates, and the way in which they vary?

A. No, I have not; I am sorry.

Q. Is there any source that you know of which would show it?

A. None that we are aware of here.

Q. You put this forward as a stated fact. Is this a well recognized state of fact?

A. I think so. I think it is attested to by the fact that the Wheat Board has from time to time created differences in the selling price of wheat as between the basing points of Fort William and Vancouver, and the purpose, we are led to believe, in doing so was to equalize the use of these two ports in terms of the normal volume of grain that ordinarily goes to the East and to the West. It is undesirable to overload the facilities of the Port of Vancouver, not because the facilities there are inadequate but because of any tendency of the differential in freight rates to move larger quantities of grain to the West creates a transportation difficulty so far as the railroads are concerned. So, it seems to me that the Wheat Board has found it necessary to create a differential, in a sense, and then remove it, and then establish it, and that is an indication to me that the differential does exist.

Q. Which way does the differential operate -- higher prices or lower prices?

A. It has operated in favour of the Lakehead -- the higher price at Vancouver.

Q. A higher price or a lower price?

A. Higher.

Q. I am not quite sure that I understand which way it operates.

A. In order to discourage an excessive movement of grain to Vancouver the price at Vancouver had to be higher -- that is, the price of wheat laid down at Vancouver -- for the time being. It is cheaper to take a cargo of wheat from Vancouver to Liverpool, than from the Lakehead, and that advantage can be eliminated by charging more for the wheat at Vancouver.

Q. It is the price charged by the Wheat Board for wheat based at Vancouver?

A. Yes.

Q. Reverting to the bottom of page 2 of the submission -- and I am just trying to clarify this, -- you say:

"Considering wheat alone, it is "evident that in each of the years cited, "somewhat more than one-third of production "was shipped by water from the Lakehead "Ports."

I understand from what you have said you have no figures, and you cannot indicate any figures, as to what might happen after the Seaway is constructed?

A. What the future will bring? No.

Q. Going over to page 3, you quote from the Honourable Lionel Chevrier in the passage set out on that page. Do you know of anybody who has done any calculation as to how the saving which may occur as a result of the St. Lawrence Seaway will be made up?

A. Do I know of anyone who has made a calculation?

Q. Yes, as to whether there will be any saving, really. It is just a statement -- this is no reflection on Mr. Chevrier, but this is just a statement which you say is the authority that there will be a saving. Have you made any calculation?

A. No.

Q. Then, you are accepting Mr. Chevrier's statement?

A. Yes, for lack of a better basis for believing so we have to accept this as the most likely prediction of what will be the case. I have noticed that over the years various estimates have been made of savings that the Seaway would make possible in the shipment of grain and other products. The estimates varied a great deal, and in almost every case there has been somebody prepared to change them. I think that is still the case even though such an authority as Mr. Chevrier makes a statement. Certainly we here have no way of checking the validity of his estimate.

Q. Can you suggest any technique by

which the calculation could be made, or have you not thought of that?

A. Well, theoretically it is, I suppose, possible to make a study of the kind of ship that would be enabled to operate in the Seaway, to estimate its operating costs, to estimate the kind of cargo it could carry, and arrive at an answer having regard to the various assumptions which have to be made such as the state of the market and the size of the crop. It seems to me that the only way in which a definitive answer can be made on that point is to wait until the Seaway is built, and then observe how the traffic is governed by the changed conditions, and what savings are actually made at the time.

THE CHAIRMAN: Q. If it turns out that it would cost more it would have been an expensive experiment, Mr. Sufrin.

A. The weight of opinion suggests it would not be too risky an experiment.

THE CHAIRMAN: The Lake carriers themselves are unanimous in saying that costs and rates will go down. They have stated that officially.

MR. MUNDELL: Q. Just before we leave that, as the Chairman has indicated, the general opinion is that there will be a saving, but you have no method of calculating the quantum? Then, in the paragraph immediately under the quotation it is stated:

"While there will probably be an "increase in shipments direct to Europe

"once the competion of the Seaway enables "larger ocean-going vessels to reach the Lake-"head, a substantial volume of grain will "continue to move in the coasting trade ..." You have no method of indicating, and no source from which the Commission can learn, what the effect in direct ocean-going shipments is likely to be of the Seaway?

A. No information other than that which has already been available to the Commission. In fact, here, I suppose, we are guilty of repeating to the Commission what has already been said by others. We took the concensus of opinion as being the case with regard to this point.

Q. Well, going over the page you set out a number of arguments that are put forward as grounds for restricting coasting trade to Canadian ships. There is one, I think, which you probably have not set out -- correct me if I am wrong -- and that is the argument that as an essential part of the transportation equipment of this country Canada should have her own Lake fleet. What would you have to say to that?

A. It depends, of course, on what part of the country you live in whether you feel that is really an essential part of our facilities, or not. To us here it seems to me that the principal object is to produce and dispose of the commodities that we are capable of producing efficiently. It does not seem to us that it is

essential that that be done in ships that are produced and owned by Canadians, whether that is so in the Lake fleet or in the deep-sea merchant marine. We do recognize that there are other reasons, particularly those concerning national defence ---

Q. Leaving defence to one side for the moment, supposing the entire Lake fleet vanished as a result of being driven off the Lakes by others so that the entire Western grain crop was dependent upon the availability of foreign shipping on the Great Lakes, do you think from the point of view of Saskatchewan that that would be a desirable thing?

THE CHAIRMAN: Q. In the Great Lakes or in the other oceans -- the Pacific, or the Hudson Bay route. They would all be dependent upon foreign ships, and by "foreign" I mean "non-Commonwealth" ships on direct transit, or on United Kingdom vessels in the coasting trade. Now, I suggest that what Mr. Mundell wants to know is this: You have already pointed out this morning that changes in ocean freight rates make it advisable to ship from one port or the other, and that the Wheat Board tries to regulate that, but if ocean freight rates in another ocean get advantageous enough so that our coasts are stripped of shipping in the late fall, what would be the effect of that on a person living in Saskatchewan?

A. The effect would be very undesirable, but we are not suggesting that that is necessarily going to happen, or, perhaps, even likely to

happen.

Q. You would not suggest it, but it has been strongly suggested to this Commission that ocean freight rates have a variation of five or six times the swing that Lake freight rates have, and in various parts of the world. There has been evidence to that effect, and that is the reason why it is pointed out that the grain growers might well fear United Kingdom competition if it ever did succeed in driving Canadian-owned Lake shipping from the Great Lakes.

A. Well, it is true, I think, that since we are, as I said, primarily concerned with exporting our products, we are also concerned that the facilities be available on a dependable basis as well as on a cheap basis, but I suggest it is at least as important for whoever emphasizes this risk of lack of dependability to prove that it is likely to materialize as it is for us to prove that the policy which we hope will be adopted will encourage the cheapest possible transportation structure and will necessarily result in such a situation arising.

MR. MUNDELL: Q. Assume, though, that the Commission came to the conclusion that the Canadian Lake fleet would disappear unless protected in some way, would it not be a fair thing to say that the protection afforded there is to primarily protect the Western producer in getting his essential commodity -- grain -- to the markets? In other words, this is a different argument from

the defence argument. You say that defence should bear the major part of the cost, but the major benefit here accrues to the Western farmer. Why should he not bear the cost as a user? What do you say as to that?

A. Well, to the extent that you are engaging in a policy based on a hypothetical risk ---

Q. I say: Supposing the risk is proven?

A. I cannot accept the argument that the risk is so readily proven.

Q. Would you go so far as to say if the risk is proven it would be a fair thing to protect the fleet, on that argument, at the expense of the user?

A. Yes, if it was clearly demonstrated that the Saskatchewan producer would be at a disadvantage because of the disappearance of the Canadian Lake fleet. In that case I say he should be prepared to pay some premium for obtaining the assurance of the carriage of his products -- that is, providing it is proven beyond dispute.

THE CHAIRMAN: Q. You see, Mr. Sufrin, there is some evidence already. For years there has been a Transport Controller, and he very often has had to assemble the grain fleet at the head of the Lakes by virtue of his orders because the grain fleet would rather be engaged in something of a more lucrative character on the Great Lakes. He would not have any similar power in regard to the United Kingdom fleet, and certainly not in

regard to a foreign fleet. On many occasions it has been said to us without hesitation that had it not been for his orders there would have been a major catastrophe in the handling of the Western grain crop.

A. That is in this situation when there was already a Canadian Lake fleet?

Q. Yes, but suppose the Canadian Lake fleet was away some place else carrying ore and limestone, and cargoes like that--and bulk carriers change their carriage quite literally from day-to-day?

A. If that is the case I fail to see what protection exists under any circumstance.

Q. The protection is that so long as there is a Canadian Lake fleet and a Transport Controller he can then order them to go to Port Arthur or Fort William to take on grain, but if instead of there being a Lake fleet there is the Liverpool Queen and fifty other United Kingdom ships then they cannot be so ordered; they are not of Canadian registry.

MR. MUNDELL: Q. The point I was coming to -- and the Chairman has been developing it -- is this: that after you have mentioned all these arguments in the first paragraph on page 4 you say in the last sentence:

> "It is our view that, on strictly "economic grounds, it would be irrational "to protect and encourage development in "an industry in which Canada suffers a de- "cided disadvantage, and that capital and "labour resources could be more properly

"utilized in other industries in which Canada "can meet foreign competition."

I put to you this proposition, that if it is established to the satisfaction of the Commission that the Canadian Lake fleet will disappear, can it be said that it would be completely irrational to maintain Canadian shipping?

A. If on strictly economic grounds you could indicate the likelihood of the Canadian Lake fleet's disappearing, then I think the argument will fall down.

Q. And that will not be subject to the same limitation as defence -- that defence should be a general cost, but this would be a particular cost which it would be fair to charge to the Western exporter of grain?

A. But a highly unlikely cost, I would say.

Q. We are going on the basis of the non-proven case. I just want to get your views. Supposing it is a mixture of partly defence and partly insuring this essential link in our transportation system then would it not be fair that some form of assistance be afforded to the shipping industry, and would it not be fair to charge the Western farmers something more than that which is charged the general public?

A. No. If Canadian shipowners and ship operators are prepared to engage in the Lake trade for whatever advantage exists for them, I see no

reason why they should gain an added premium because of the fact that they are ready to accept the orders of the Controller with respect to where they should go and what cargoes they should carry. It seems to me that if they are prepared to operate at all you naturally have to assume that they will provide at least a minimum amount of service necessary to prevent the situation arising which the Chairman has just referred to. In effect, it is like saying it is not enough for someone to set up a bakery in a town and earn the usual rate, but if that baker continues pursuing his business he should be allowed to charge a little more because if he moved away the town would be left without an important source of food. I presume and I think the brief is based on the presumption that the Canadian Lake fleet will not entirely disappear.

Q. That it will be able to compete with the ---

A. Yes, that it will be able to compete.

Q. That brings me to the next paragraph where I think I am going to change sides. You say:

"If foreign shipping is prohibited "from participating in the Canadian coasting "trade, then, because of the higher costs "of building and operating Canadian ships, "water transportation costs will be higher."

If the Canadian Lake fleet can compete, which is the presumption, then why would the costs be higher if foreign fleets are excluded? Why would they be

higher?

A. I think there would be a very great temptation to retain some of the advantages of the construction of the Seaway in the form of higher earnings than now is the case in the Canadian shipping industry.

Q. "...than now is the case", did you say?

A. Let me put it this way: If it is agreed that when the Seaway is completed there will be a potential saving of 6¢ the question is: Who is going to retain that 6¢ on each portion? It can go at least two ways. It can take the form of a six-cent reduction in freight charges, or a lesser amount, in which case it will be distributed between the person who uses the Lake fleet and the ship operator. We feel that from our point of view it would be desirable if the entire amount were made available to the user of the service. We feel that it is more likely that that entire amount would be made available if others who are permitted to engage in the coasting trade will compete with the Canadian ships, and it will maintain the rates at as low a level as possible.

Q. If the Canadian ships can compete with foreign ships, and if the present shipping industry is competitive, why would you expect any of it to be retained? This is a highly competitive industry, or a furiously competitive one -- those are the adjectives which have been used before the Commission.

A. I have not suggested that the Canadian shipping industry is furiously competitive ---

Q. Then, are you suggesting it is not?

A. I am suggesting that it can maintain at least part of its present position in the Lake trade even though foreign ships are allowed to enter the Seaway.

THE CHAIRMAN: Q. I think you are ducking Mr. Mundell's question. Is it your contention that the Lake fleet is not competitive? He quoted to you two adjectives describing the competition which exists -- one person used the word "highly", and another used the word "furiously". I suggest to you the basis of your and, in fact, of every brief we have read from this Province and the Provinces of Alberta and Manitoba, is the fact that there is no such thing, and that there is a very close co-operation present which might easily come within the scope of the Combines Investigation Act. Now, if that is your view then, of course, the removal of competition would be most important. If, on the other hand, it is competitive in itself, then I see no reason why the process of competition amongst Lake ship-owners should not result in the saving and the increased efficiency of the Seaway being passed on.

A. Well ---

MR. MUNDELL: Q. Can I go on with that before you answer it? If it is competitive with foreign ships and competitive within itself, what does it matter whether it is protected, or not?

A. I think we are using the word "competitive" in two different senses here. We are speaking of it being competitive in the sense that it would not suffer from any undue advantage with respect to the costs under which it must operate so as to make it able to retain, let us say, a fair share of the trade regardless of the precise business methods that were used to hold that trade. On the other hand, we may or may not describe it as being competitive in the sense that it is willing to operate at the lowest possible level of cost, that one ship is prepared to underbid another ship or to increase its proportion of the total amount of traffic available. It can be competitive in the one sense, and yet not be competitive in the other.

Q. I am sorry; I am a little confused -- perhaps I am interrupting you; go ahead.

A. It is suggested that after the Seaway is open foreign shipping will not be, so far as we are aware, such a disastrous disadvantage to Canadian shippers as to drive them from the Lakes and destroy the Canadian Lake fleet. That may be the case, but we are not aware of anything that suggests that that will be so. On the other hand, we are not convinced that left to themselves, and given a Seaway closed to foreign shipping, the Canadian ship operators will compete amongst themselves for the Lake traffic, and in doing so guarantee, let us say, that the 6¢ that can be saved by the construction of the Seaway will necessarily be passed on to

producer.

Q. That repeats your position. You say you are not satisfied on that. You think there is a combine, or an agreement?

A. I think that Adam Smith has indicated very neatly the reason why ordinary citizens do not rely too much on the competitive instincts of business. I think his comment is as true today as it was when it was made when businessmen got together generally for the purpose of producing some policy to the detriment of the consumer.

Q. Is this is a long way of saying that you think there is a combine?

A. No, I do not suggest that there is a combine, but there have been shipbuilding conferences organized from time to time at various places for the purpose of eliminating what was considered to be unhealthy competition.

THE CHAIRMAN: Q. Do you mean "shipbuilding" or "ship operating"?

A. Ship operating.

MR. MUNDELL: Q. Can you name one thing that they tried to eliminate as being unhealthy competition?

A. The tendency to make rebates.

THE CHAIRMAN: Q. You are speaking of Lake ships?

A. No, I am speaking of ocean ships.

MR. MUNDELL: Q. This allegation has been made against ship operators, that they have not

been competing, and yet the evidence from them is that they have been competing very seriously. Is that just an impression, or have you any facts?

A. It is not an impression, and neither is it based on fact. It is based on the fear that a potential saving will simply not be realized.

Q. But at the time you do not know of anything that would indicate that the Lake shippers are operating in anything but an unrestricted way?

A. No.

Q. Would there be any danger, would you say, in there being only four or five competitors and so cutting down the fairness of the competition -- say, four or five instead of twenty?

A. I would not say any particular figure.

Q. In other words, if there were four large companies competing in an unrestricted way you think that that competition would be as effective as if there were twenty; it might produce lower rates because the four would be more efficient than the twenty?

A. Yes, I would say possibly.

THE CHAIRMAN: On that point, before you leave it, Mr. Mundell, I would like to know what is meant by the word "foreign" which is used several times; particularly the second word in the second paragraph.

MR. MUNDELL: Q. Does that mean all non-Canadian countries?

A. Well, "foreign" there actually is to

mean Commonwealth shipping. In other words, it relates to the status quo. We are not arguing that we go beyond the status quo at this time.

Q. That argument, as you know, means -- and I want you to assure the Government of this -- that it is not to derogate the British Commonwealth shipping companies and permit foreign ships -- that is, non-Commonwealth ships -- to engage in the coasting trade, but merely to permit all Commonwealth ships to engage in it.

A. That is correct.

Q. There is one expression on this page which I wonder if you could pin down, and that is the second sentence in the second paragraph which reads:

> "The increased costs will be borne "by the users of water transportation and "this can only mean that the range of "profitable economic activity for primary "producers such as grain growers and "others who ship by water will be corres- "pondingly restricted."

Can you say exactly what is meant by "the range of profitable economic activity"?

A. Well, as you probably know, even though Saskatchewan is perhaps one of the most effective grain growing areas in the world nevertheless not only are there more producers subject to both physical and economic hazards but there are, in addition, many parts of the Province where any

further deterioration in the agricultural picture would result in the farms becoming marginal ---

Q. Sub-marginal?

A. Well, sub-marginal.

Q. You say they are marginal now ---

A. They are getting by now, and are getting marginal on a substance basis if the conditions deteriorate any further.

Q. Yes; I was not just sure what you meant by that. Now, to go back to the preceding sentence where you say: "... because of the higher costs of building and operating Canadian ships, water transportation costs will be higher ..." supposing the Canadian ships can compete with foreign ships and remain in operation, then would that sentence be correct? To put it in another way, might it not be that the production will be so great that the costs will be lower?

A. That is possible.

Q. That does not take into account questions of efficiency of Canadian ships?

A. No, although it has been argued that some of the higher costs of Canadian industry would, in time, tend to be characteristic of ships -- at least, those operating in inland waters.

Q. Put it this way, suppose that Canadian upper-lakers are so efficient that although they are very costly to build in Canada and costly to operate they may afford a means of transportation that is considerably cheaper than that afforded by

foreign vessels, then that statement would not be correct, would it?

A. No.

Q. Coming to the last sentence of that same paragraph where referende is made to the dollar earnings of the shipping industries in other countries, have you any idea whether that is a significant matter, or not -- I mean the part that would be affected by the coasting trade?

A. Well, it is hard to say when a particular thing becomes significant, and when it does not. Is $10,000,000 or $20,000,000 significant? Well, under certain circumstances Great Britain would regard $10,000,000 or $15,000,000 in foreign exchange as insignificant -- that is a mere drop in the bucket, but at other times, and more particularly in recent times, I think that would represent a very desirable addition to their foreign exchange.

Q. If the Canadian Lake fleet is not going to go to the wall and be out-competed by these foreign vessels is this argument likely to carry very much weight if the grain is still to be carried in Canadian ships?

A. It is certainly not an argument on which the entire case should rest.

Q. Would it be fair to summarize all these considerations by saying that you have no facts that show loss, but you are afraid of a restriction because it might result in a loss? In other words, this is an apprehension rather than

a proven case, and it is based, say, on general economic principles rather than a consideration of the particular ---

A. I think that is a fair summary, yes.

Q. How effective do you think the Hudson Bay route will be in competing and in keeping down rates?

A. It has not been very effective in the past. It is true that the carriage of the grain through the Hudson Bay has been increasing. I do not think, though, if there is any reason to fear that freight costs will rise on the Seaway that we can afford to rely entirely on the Hudson Bay route as a sufficient safeguard.

Q. Why is that? Is it because of assembly limitations?

A. Well, it seems to take a great deal of time to overcome the lethargy that ---

Q. Is not one of the reasons put forward that there are so few West-bound cargoes?

A. Yes, there is very little West-bound cargo.

Q. Yes; in other words, the ship has to come out in ballast, and that makes it a 50% load run?

A. Yes.

Q. Would that not also apply to vessels coming into the Great Lakes -- foreign vessels?

A. I do not believe so. I understand that it is the hope, at least, if not the

intention, of British shipping companies to engage in the Lake trade on a two-way basis, to carry grain from the Lakehead, and other commodities from the Lakehead, to sea-ports and, perhaps, to carry cargoes such as iron ore ---

Q. You mean they would come over with a cargo, and just shuttle back and forth for the season, and then go back ---

A. Yes, and perhaps engage in the deep-sea trade in the closed navigation season.

Q. May I come back to a point that was mentioned before, and that is if your major argument is one of apprehension rather than one of proven probability of loss, and, on the other hand, the shipbuilding industry and the shippers on the Great Lakes were to establish that they would go to the wall, which do you think in the national interest would be favoured -- the protection of the shipbuilders, or the honouring of your apprehension?

A. Well, I would not ---

Q. That is a ninth point, I suppose.

A. Yes, I would not be prepared to choose between the two.

Q. You see, there is a positive benefit which the shipbuilders and shipowners say they would get from it which would not hurt anybody. They would get stability in their industry, and with a greater volume of building they would be able to supply a unit at the same cost, but so long as a threat exists to very efficient shipping nobody will

put any money into their business. They say that given the stability they can give the service, and that would leave aside the defence consideration entirely.

A. It may be that we are too concerned about a merely hypothetical threat, and that is also true of the Canadian shipping industry.

COMMISSIONER WICKWIRE: I am sorry, but I only heard two words of that sentence.

A. It may be that if we are entirely concerned about a hypothetical threat to competition, to our ability to obtain the lowest rates for the carriage of grain, and the ship operators are just as entirely concerned about this threat to their welfare represented by the possibility of foreign shipping encroaching on their territory and driving them to the wall.

MR. MUNDELL: Q. But it is recognized, I think, by everybody that you will be able to build a ship in the United Kingdom for about 55% of the cost at which you can build a ship here. That is a fact, and they say: "We can get our costs down, too, if we are given the business, but we will never get it."

A. Yes, but it is possible to have a Canadian-owned Lake fleet without necessarily having to operate only with Canadian-built ships. Some of that advantage could be obtained by Canadian ship operators by purchasing ships built in the United Kingdom.

Q. In other words, let the shipyards go to the wall, and let the ship operators compete amongst themselves with foreign-built vessels?

A. I am not suggesting ---

Q. I am leaving out defence all the time.

A. Yes.

COMMISSIONER WICKWIRE: Q. If it was impossible to bring ships of that peculiar construction of 20,000 tons and over across the Atlantic the position would be changed?

A. If it is impossible then that eliminates--

Q. --- that advantage?

A. Yes.

MR. MUNDELL: It also eliminates the threat to the Canadian shipyards so far as building those vessels is concerned.

THE CHAIRMAN: It reduces that threat to the dual-purpose threat.

MR. MUNDELL: That is right.

Q. Then, coming to the last matter dealt with by your brief -- and that is the national transportation policy -- you recommend there be a central transportation authority, and you refer to the report of the Royal Commission on Transportation of February 9th, 1951 as saying there should be a transportation policy, and:

"... that the place of water carriers in "the country's transportation system as a "whole should be more definitely determined "in order that they may be enabled to take

"their proper place as a part of the country's "transportation system."

You also take the position that there should be the most complete competition so far as water transportation is concerned. Now, if you embark on a policy of complete competition so far as water transportation is concerned what is the point in a central regulatory agency?

A. Well ---

Q. Is it to subsidize the other people who will be hurt by the ---

A. I think the fact is that one form of transportation is affected by developments in another. It seems a wrong principle, and as a matter of commonsense, to constrain only one aspect of an interrelated problem. We feel that any decisions that are going to affect the shipbuilding and ship operating industries in the Lake trade generally, if they have an effect on the railways which may perhaps nullify the objective which we hope to achieve in the case of water transportation, should be examined in relation to the whole problem.

Q. In other words, the central transportation authority would not be in relation to water transportation which is to have complete freedom of competition but in relation to everybody else affected by that; is that right?

A. It is conceivable, although I am not suggesting it is likely that the advantage which stems from the policy of competition in water

trade might be completely outweighed as a result of developments in other transportation systems. If that were the case it may be that while it was decided to consider water transportation in isolation it would be a desirable thing to pursue that policy. We might want to reconsider it if the total effect was a net disadvantage. We feel that it is imprudent to consider a problem in its separate aspects; and over-all view should be taken. We feel that we do not want, in effect, to lose by the back door, through some action that should be taken in connection with rail freights, any advantage we hope to gain in connection with the policy we suggest for the water rate.

Q. In other words, the only time where the central regulatory body would become significant is when they were going to restrict competition, or so affect competition so that they would not find their bottom competition level; is not that right?

A. Well, I suppose that is right. If the policy is to be adhered to as having a maximum of competition in the water rate area then any adjustment subsequently must be made in the other spheres of transportation.

Q. Or, alternatively, some ---

A. Alternatively, some part-abandoning of that policy must be considered.

Q. What would you say to the C.N.R. proposal that there should be competition within the water transport industry, but it should be

within the same framework of other transport industries; that is to say, Canadian prices for ships, Canadian wages for seamen, and so on, and after that we will turn them loose, as I think the gentleman said the other day, and let them wrestle on the floor.

MR. WRIGHT: That is not right.

MR. MUNDELL: Well, put them ---

MR. WRIGHT: --- under the Transport Act.

MR. MUNDELL: That is right, put them under the Transport Act.

Q. What would you say as to that as being a fair method of using a central regulatory body?

A. Well, as far as any modification of the regulations governing freight and the inland water rate is concerned, I would be reluctant to see any change made that would tend to eliminate the element of competition there until it was possible to determine what the long-run effect would be on the position of the railways. It may very well be that any disadvantage to the railways as a result of a regime of complete competition in water freight, and loss of traffic to water transportation, would be only a temporary one, and that in time the railways would be able to regain their former position, and perhaps even improve upon it.

Q. I think I may have partially misstated the C.N.R.'s position, but I am not sure that it is of significance. At any rate, we have your comment upon the position. Their point in part was this, and this is another aspect of the same thing: They say, water transport has the advantage of a free track compared with the railways; it has the locks, canals and so on. They say, why should not water transport have to pay the capital cost of all these things so that they compete fairly with other forms of transportation. That is their argument. What would you say to that?

A. I would say that the matter should be left as it is.

Q. Why would it not be fair to charge water carriers a toll or some reasonable amount related to the cost of the facilities that are freely made available to them at the moment?

A. Well, that has been the policy in the past. I hardly think you could expect us to advocate a contrary policy when it is not clearly in our interests to do so.

Q. In other words, it is purely a self-interest argument?

A. Yes.

Q. Would it not be a fair economic approach?

A. In general I suppose it could be argued that the full charges that are involved in any operation should be borne by whoever

undertakes that operation or whoever benefits by it. I understand that that is already the case, or rather, will be the case, so far as the further development of the Seaway is concerned: tolls will be charged to pay off over a period of years the cost of deepening the river for the Seaway, building canals and so forth, but I am certainly not going to argue that we should retrace past history and proceed to change the circumstances under which shipping in the past has enjoyed the use of harbours, wharves and other facilities provided at the public expense. I think that if anyone is going to press that argument, it should be pressed by those who have an important stake in doing so.

Q. You mean, if there is going to be a refund of shipping subsidies, we had better have a general refund of all transport subsidies?

A. Certainly the problem will become ramified very quickly.

THE CHAIRMAN: Of course, it is very difficult to tell what will and what will not be contributed to the Seaway in the way of past work, how much of the past work has already been thrown aside, and how much will be carried on in the Seaway. It would be pretty nearly impossible to get ahead if you did start on that policy, would it not?

A. I would think it would be very difficult.

MR. MUNDELL: I suppose it would apply

equally to all subsidies paid to the railways in the past.

MR. WRIGHT: That is an entirely different story.

MR. MUNDELL: Q. I was wondering if you would comment upon a part of the C.P.R. submission, which I will take pains to read to you in view of Mr. Wright's presence. Starting with your brief, page 5, you say:

> "The Government of Saskatchewan contends "that this compensation should not take the "form of increased freight rates in western "Canada. The cost of compensation should not "be borne unequally by different sectors of "the Canadian economy."

Now in the Canadian Pacific brief, which is number 87 in the same volume, at page 4, paragraph 17, it is stated:

> "The major effect of the Seaway will "be upon traffic in Eastern Canada. This "traffic now makes a substantially greater "contribution to railway costs than does "the traffic in Western Canada as may be "seen by the following facts..."

Have you read this brief?

A. Yes, I have.

Q. What have you to say as to the difference of opinion between your brief and the Canadian Pacific brief? They say that Eastern Canada has been bearing greater costs and that now

some of it should be passed back to the West, as I understand it.

MR. WRIGHT: That is in gross.

A. I do not see the contradiction here.

MR. MUNDELL: Q. Then would you explain it, or rather the absence of it? I may be incorrect with regard to this, but it seemed to me at first glance that you are saying that the West should not have to bear greater transportation costs in order to protect shipping; that there should not be an unequal incidence of transportation costs, and that they should not be met unequally by charging the West with the cost of maintaining the shipping industry; on the other hand, they say in the East that they presently bear an unequal share of maintaining the railways. Would not the West be the proper place to meet the costs?

A. Our brief is suggesting that if any further increase in revenues is required by the railways, the major source of that further increase should not be the Western Provinces at this time. We feel that we are already in a difficult position, a sufficiently difficult position, without having this further burden added to us.

Q. Regardless of whether or not it is equal at the moment?

A. As to whether or not the railways earn a greater proportion of their revenue in the East or the West I am not prepared to say. I have not examined the brief of the C.P.R. with any great

care, and I have not considered what the present distribution of costs is, but we do argue this, that as of now we feel that the Seaway, which is a work that will benefit several parts of Canada, but will undoubtedly benefit Central Canada to a very large extent, should not have an effect on the railroads, a detrimental effect on the railroads, that will largely be made up in the rest of the provinces.

THE CHAIRMAN: What will be the particular benefit of the Seaway to Central Canada?

A. It makes possible the movement of very heavy traffic in ores which will benefit the steel mills of Ontario.

Q. The ore goes from Seven Islands up to where?

A. A great part of it no doubt will go by that route.

Q. 99% of it.

A. To the existing steel mills in the United States, and some of it will also be consumed in Ontario.

Q. At the present time most of the ore going to the Ontario plants seems to come from Wisconsin sources. There is a cross-movement due to the requirement for different grades of ore, but apart from ore carriage there is the development of hydro power. That is being paid for separately; that is not costing the Dominion of Canada one cent. The development of the hydro power is all being paid for by the Province of Ontario and the Province of Quebec

Hydro Electric Commissions.

A. There is the sea-port development which will accompany the increased movement of traffic.

Q. What is the advantage of that?

A. These are all advantages that are claimed by the people who argue for the Seaway.

Q. But your statement was that the advantage to Central Canada would be great. I was always of the opinion that the chief advantage of the Seaway was to bring closer to the Western Provinces the seaways of the ocean, and that any benefit that Central Canada got would be minor in comparison to the tremendous benefit of having the head of the Lakes moved to the Atlantic Ocean, which is what it amounts to.

A. Well, perhaps I am in error, but that has not been my impression. My impression was that the carriage of the commodities we produce and the carriage of the commodities we consume was the principal justification for the construction of the Seaway.

COMMISSIONER WICKWIRE: Who do you mean by "we", when you say "we produce" and "we consume"?

A. That the Western Provinces produce. Opinions as to the saving in cost that will be provided by the Seaway in the carriage of wheat range from six or seven cents down to one and a half or two cents. It seems to me that the argument is hardly so overpowering as to form the sole justification for proceeding with the Seaway.

MR. MUNDELL: Q. I take it -- I should have asked you this at the beginning -- that by and large we are concerned here only with bulk traffic, rather than package freight.

A. Yes.

Q. Although you mentioned the package freight west-bound at the beginning, you have no idea of its quantity?

A. Of its content or quantity, no.

Q. And it would present a different rate problem?

A. Yes. We are concerned primarily with bulk commodities.

Q. Maybe I should put the position that I was trying to make in relation to the C.P.R. as I understand it. Well, I will just say that this is my own position and put it to you in this way: Supposing the maintenance of the transportation system of the railways is now imposed more heavily on the East than on the West -- that is the suggestion -- would it not be fair to take part of this new transportation saving to assist the railways by adding in the tolls and so on? From the 6¢ would it not be fair to take, let us say, 2¢ and put that into the railway system, assuming your hypothesis?

A. I would prefer not to discuss the logical consequences of various policies.

Q. You find this a little esoteric?

A. I would first wish to satisfy myself that what seems to be the point contained in the

C.P.R. brief is correct before going further and discussing the consequences of that.

Q. Take my proposition: Supposing it were established that the freight costs, or the costs of the railways, are borne in a greater proportion by Eastern Canada than Western Canada, and you have a big saving coming up arising out of this new means of transportation, would it not be correct to protect the position of producers in Eastern Canada at the expense of the Western producers by taking some part of this saving in transportation costs and giving it to the railways, and thereby saving the cost to Eastern Canada? Would not that be fair?

A. It seems to me that we are already in a position where the Eastern producer is protected to the extent that the Western producer is not, and never will be, in regard to tariffs with respect to shorter rail hauls.

Q. Would you clear up one thing on this question of tariffs? Are there tariffs now on farm implements?

A. I am not aware of that.

Q. I was under the impression, and this came up in general conversation the other day, that some time in the latter part of the war they were removed. You do not know whether that is correct or not?

A. No.

Q. Well, go on; I am sorry. You were saying that the East is protected at the expense

of the West.

A. Well, protected in a way that the West cannot be protected, and to the extent that the West trades with the East it seems to me it is at a disadvantage in the purchase of commodities which are produced with the help of a protective tariff.

Q. Would you just run down these commodities, list them, or give us a number of examples?

A. Well, automobiles.

Q. Yes?

A. Domestic durable consumer goods, refrigerators, and that sort of thing.

Q. Yes, go on.

A. Well, I cannot produce a comprehensive list, but in general the commodities which are produced in the manufacturing industries of Ontario, as I understand, are subject to a tariff of varying magnitude.

COMMISSIONER WICKWIRE: I am sorry: The last I heard was "durable consumer goods".

MR. MUNDELL: ... are subject to a tariff of varying magnitudes. Would you speak up, Mr. Sufrin?

A. ... are subject to a tariff of varying magnitude, which represents a burden on the Western consumer insofar as he is prevented from buying these same commodities, let us say, in the United States at a lower price.

THE CHAIRMAN: Q. Do you think the Easterner gets his automobile free of duty?

A. No, he does not, but the reason for maintaining the automobile industry is one that has more relevance to the East than to the West. It provides employment in the East. It is part of the whole fabric on which the industrial development of the East has taken place. No such advantage exists so far as Western producers are concerned. We are exposed here to the full force of competition in the marketing of our products. Such employment as is possible here depends on our ability to produce without the benefit of such protection.

MR. MUNDELL: Q. You have not been able to give us a very large group of things yet. Is this a sort of impression, or are you sure of this?

A. I am not a tariff expert, and I am afraid I am not in a position to list specific commodities and indicate the extent of the protection under which they are produced.

Q. Might it not be that in recent years the Geneva Agreement, and other agreements of that kind, have cut down substantially the protection which Western Canada enjoys the benefit of as much as Eastern Canada?

A. To the extent that, in comparison with the conditions affecting the wheat trade, I would say that, regardless of any changes introduced as the result of the GATT Agreement, there is still a considerable disparity between the conditions under which we export or dispose of our output and the manufacturing industries of Central Canada.

Q. What are these differences?

A. The difference is simply this, that the imputs which go into agriculture are generally not produced in Saskatchewan; they have to be brought in from the East. To the extent that they are subject to tariff protection in the East, costs are higher than they would be if we were able to buy them wherever they could be bought most cheaply. Those imputs are transformed into a commodity that is not primarily consumed within the domestic economy. It is, subject to such protection as the domestic economy can maintain, sold on the international market and is forced to compete with countries over whose economies and over whose policies the Canadian Government can exercise no control. I suggest that that in general is a situation in which the West suffers a chronic disadvantage in relation to Eastern producers.

THE CHAIRMAN: Surely that statement assumes a fact which you said a moment ago you did not know, because you said that those things, purchased by you at a higher cost, were used to produce the thing which you market in the world's markets, but you have just told us that you did not know even if there were any tariffs on agricultural implements.

MR. MUNDELL: I think the argument, if I may say so, is broader than that. Consumer goods are included as well as implements of production. Is not that correct?

THE CHAIRMAN: If the shirt you wear on your

back and the automobile you drive is an implement of production, it is as just as much an implement of production for the farmer or the industrial worker in the Province of Ontario or the Province of Nova Scotia.

MR. MUNDELL: It has been stated to this Commission on various occasions that the Canadian Wheat Board is a form of protection of the Western farmer. What have you to say to that?

A. It is not a form of protection in the sense that it can maintain an artificially higher price than would be the case in a freely operated market.

Q. Are you talking domestically or for export?

A. Export.

Q. What about domestically?

A. To the extent that the domestic demand represents a substantial part of the production of wheat, then to that extent the agricultural industry is capable of being protected, but the bulk of our production is destined for export.

COMMISSIONER WICKWIRE: Is it capable of being protected, or is it protected to that extent?

A. It is protected to some extent, but the Wheat Board, as I understand it, is an instrument not for effecting a higher price over a period of time than would be the case if there were no Wheat Board in existence; what it does do is to

eliminate the fluctuations which in the past have occurred in the disposal of the wheat.

MR. MUNDELL: Q. You mean that the Wheat Board cannot sell any more wheat than somebody else will buy, but it may spread the supply over, or even it out?

A. It can withhold a temporary surplus and prevent it from depressing the market.

Q. And even out things as between producers?

A. Yes, but in the long run I think the Wheat Board has to take the world price pretty much as it finds it.

Q. But you say that, domestically speaking, the Wheat Board has the effect to some extent of protecting the Western producer, I presume at the expense of Eastern Canada and the Maritimes.

A. I am sorry, what is that again?

Q. You said that the Wheat Board had some effect as protection domestically, and I presume that would be at the expense of Eastern Canada and the Maritimes.

A. When the domestic price of wheat is higher, that additional cost is borne by the domestic consumers, the bulk of whom are in other parts of the country than the West. Whether it is an unreasonable price that they pay or not I am not prepared to say.

Q. How does this protection work, that the Wheat Board charges a higher domestic price

than the free market would determine?

A. Yes.

Q. Have you any idea of the magnitude of this protection?

A. No, I cannot say what it is offhand.

Q. I have been wandering all around, I am sorry, but coming back to the national transportation policy I think we are agreed that if water transportation is to have maximum competition, if your main proposal is adopted, of maximum competition, then the proposal of a national transportation policy would have no practical significance in relation to the coasting trade.

A. No, I am not sure I would say that. If this present question were being considered simultaneously with the whole question of transportation generally, it is possible that we would re-examine our position. We might submit arguments that are somewhat different from those which are contained in our brief, but the fact is, it seems to me, that we are at the present time considering the coasting trade primarily, we are not considering the question either of the railways or the inter-relationship between the coasting trade and the railways, and so we are arguing on the basis of that narrower problem that is before the Commission. We do feel, however, that it would be wrong to pretend that this inter-relationship did not exist, and we point out how that we anticipate a particular kind of repercussion, and we are suggesting that if that

repercussion materializes as a result of the policy adopted in connection with water transportation, then we are going to argue a certain point with you at that time.

DEAN CRONKITE: May I ask just one question?

MR. MUNDELL: Certainly.

DEAN CRONKITE: Under your proposal of a national transportation policy the coasting trade would be potentially subject to regulation to the same extent as the railways, would it not? I will not say in what detail.

A. What form that would take I am not prepared to say.

Q. But potentially it would be, and I take it that under your policy trucks would be also?

A. Yes.

DEAN CRONKITE: He does not know what may happen, but potentially the Board could regulate it to the same extent that they regulate railways or trucking.

MR. MUNDELL: Q. That involves a departure from free competition, or competition as the only governor concept?

A. We have argued in the past that truck competition should be integrated with railway transportation, and in fact we were prepared to go to the extent of relinquishing what jurisdiction we had over the trucking industry in order to accomplish that end. If the water transportation industry were to be considered now or at some later

time in connection with all other forms of transportation, then we feel we would have to approach the problem from a fresh point of view, but taking the limited approach that is being taken here we feel that under the circumstances we have to argue for free competition.

Q. And you are saying you have not formulated any ideas as to what you would do at that time?

A. No.

DEAN CRONKITE: That would be for the Dominion Board with complete authority to say.

MR. MUNDELL: I think that concludes all I wish to ask, Mr. Chairman.

DEAN CRONKITE: I wonder if at this time you would care to take two or three minutes' recess, Mr. Chairman.

THE CHAIRMAN: Yes, I think it would be appropriate to take a ten minute recess now.

---A short recess.

THE CHAIRMAN: Do you wish to examine, Mr. Wright?

MR. WRIGHT: Yes, thank you, Mr. Chairman.

Q. Mr. Sufrin, I would like to refer to page 3 of your brief, at the bottom of the page where you say:

"...water freight rates should be kept to "a minimum, and in the view of the Govern- "ment of Saskatchewan this can best be "achieved by insuring that maximum competi-

"tion prevails in the water transportation "industry."

Now you have said something in your evidence as to the nature of that competition, but I am not just clear in my own mind as to what you mean by maximum competition. I wonder if you would mind enlarging on that a little for me?

A. I think the analogy was drawn previously in hearings held by the Commission between the effect of foreign shipping or Commonwealth shipping in the coasting trade, and the role of a policeman.

Q. Yes.

A. Whether or not the Canadian Lake fleet will diminish very substantially in size or not, certainly at least we feel that there should be provision made for the entry of some shipping of other than Canadian registry in order to provide the policeman function.

Q. Yes. Do you have in mind primarily the competition which the U.K. ships can give to the Canadian operators?

A. Primarily, yes.

Q. I suppose you would agree with me that within the water transportation industry itself you could have various types of competition?

A. What do you have in mind?

Q. Well, you could have the situation where you have many small operators competing fiercely, as Mr. Mundell has expressed it, among themselves, and, even as one witness in Vancouver

expressed it, "wrastling on the floor" amongst themselves, and that is a situation which you could have, is it not?

A. Possibly, yes.

Q. And the second situation which you could have would be one which I think it has been suggested by the Western Provinces now exists on the Great Lakes, where you have competition whittled down to a few operators who, to some extent, may control the transportation market. That is so, is it not?

A. That is possible, yes.

Q. Now would you say that that second type of competition possesses some advantages?

A. Well, it would depend on the reasons why a reduction in the number of operators came about. If there are fewer operators because fewer operators were capable of handling the same volume of traffic as formerly, presumably that would indicate that they were more efficient operators.

Q. Yes. You might get greater efficiency from the large-scale operation, I suppose.

A. That has been suggested, yes.

Q. And there would be more opportunity for, you might say, technological advances in the industry where you have that situation.

A. Yes, I would say possibly.

Q. That is, the efficient operators who are left would be able to raise more capital; they would have a greater opportunity to raise more capital for those purposes.

A. Well, when I say yes to these things I am speaking purely on a speculative basis.

Q. Well, would not that be sound economic theory?

A. Economic theory does not make a dogmatic statement of that kind. It depends on the circumstances governing each particular industry. Some industries operate efficiently on the basis only of large-scale units, and some require, or some can operate efficiently on the basis of a very large number of small units.

Q. It might depend on the industry, that is quite so. I suppose you might give as an example of that the automobile industry.

A. Yes, as an example of a typically large-scale industry.

Q. Which results in more efficiency and probably a better and lower-priced product than you would get from an industry which is concerned with the smaller units.

A. Yes. Any industry which lends itself to mass techniques is inherently a large-scale industry.

Q. Then you might have, in the third place, regulative competition, might not you? That is where those in the industry are subject to and must comply with certain conditions before being entitled to engage in it; they must, in other words, obtain a license, and when they do engage in the industry they must comply with certain provisions

with respect to filing and the making of tariffs.

A. Yes.

Q. Where you have regulative competition, Mr. Sufrin, that does not mean that competition has been eliminated, does it?

A. Well, it certainly has been modified.

Q. Well, you would still have competition between those who are licensed within the limits provided by the legislation which applies to them. That is correct, is it not?

A. Well, the difficulty with regulation, it seems to me, is that while it is desirable in a situation where there is no alternative, it does suffer from the drawback that it imposes on a tribunal of some sort the task of ascertaining costs and reasonable capital requirements, proper rates of return, and so on. Moreover it seems to me that as a general principle wherever it is possible to determine these magnitudes in a more or less automatic way ---

Q. You mean a freer market, so to speak?

A. Yes -- it eliminates a very difficult task of regulation which may be required in other circumstances where the opportunities for the free play of competition do not exist to the same extent.

Q. Yes, but even within a regulatory framework there is a considerable scope for the free play of competition, is there not?

A. That would depend on the nature of the regulations.

Q. You are familiar with the Transport Act, are you not?

A. Not too familiar, no.

Q. Are you familiar with Part III dealing with rate regulation?

A. I am afraid I do not have a copy of the Act with me (same handed to the witness).

Q. Would you look at section 17 which provides for the filing of tariffs and tolls, and subsection (a) provides for standard freight tariffs, (b) special freight tariffs and (c) competitive freight tariffs. I guess you understand that the standard freight tariff would be the maximum tariff?

A. Yes.

Q. And that the special and competitive tariffs would be tariffs below the maximum. Would you not say that there is a range there beneath the standard rates where there could be competition between those in the industry so regulated?

A. To a limited extent, yes.

Q. Now there was some discussion with respect to reliability and dependability of service and the possibility of shipping in the Great Lakes moving off and leaving no tonnage to carry the wheat when it is ready to move. Is it not possible that a system of licensing ships on the basis of the requirements of public convenience and necessity might meet that situation?

A. Well, if the danger is as serious as has been suggested, I do not see that that

would provide a safeguard, because, although you could require foreign ships to be licensed before they could operate in inland waters, it seems to me you would have to go one step further and require that they always be available for carrying inland freight.

Q. Would it not follow that if they were assured of business -- and they would not have a license unless there was business available -- that there would be less likelihood of them moving off?

A. I would say so, yes.

COMMISSIONER WICKWIRE: That would only apply, would it not, if they were under Canadian registry?

A. Well, the statement was if the business was available there would be less likelihood of them moving off, than if there was not. That is a statement with which I would agree, I think. It seems to me that since their primary purpose is to carry cargoes wherever they may be found -- and presumably when you say business is available you mean it is available at a rate which permits them to operate ---

Q. But if more profitable business is available for U.K. bottoms elsewhere why would not they move on, notwithstanding that they had a license to carry cargoes coast-wise in Canada?

A. I assume that certainly a large part, probably the greater part, of the ships operating in that area would be designed primarily with a view to adapting themselves to the physical conditions

of seaway traffic. I presume that even if there was, perhaps, a cargo to be had elsewhere at a higher rate it would not necessarily pay them unless the rate were perhaps substantially higher, to remove their ships from that area and transfer them somewhere else.

THE CHAIRMAN: What are these ships you are imagining? Are they upper-lakers built in England and then brought to the upper-lakes, or to the Great Lakes, in order to work all the time in the Canadian coasting trade?

A. Possibly some would be of that description. Some, perhaps, would be designed, as was indicated by the United Kingdom Shipping Conference, to engage part-time in the coastal trade and part-time in deep-sea.

Q. Now if those ships can be built and compete with the Lake types, then are not they the very ships that would be attracted by higher rates in the Mediterranean?

A. If the rates were sufficiently higher, yes, perhaps.

Q. No system of licensing would hold them then, would it?

A. No, I would not think so.

THE CHAIRMAN: I beg your pardon, Mr. Wright.

MR. WRIGHT: I was just going to point out in that connection Section 5(b) of the Transport Act, where it says that in the granting of a

license the Board may take into consideration the quality and permanence of the service.

Q. That being the case, Mr. Sufrin, if a ship did, after getting a license, move off to engage in some more lucrative trade, the possibility of the owner getting a license next year might not be so good. Would you agree with that?

A. If the demand for ships at a particular time were sufficiently pressing, I suppose it would be possible to overlook previous lapses in the stability of service, but as to what would actually occur I am not prepared to say.

Q. That might be a factor, might it not?

A. Well it depends. It seems to me it depends on whether you have a buyer's or a seller's market so far as shipping services are concerned.

THE CHAIRMAN: Ships are not created overnight, so that when the next movement of grain came along and this wanderer came back to the Great Lakes and applied for another license, the Canadian authorities would be faced with the fact that they needed that particular bottom to carry grain, and they could be more lenient in the attitude they adopted to his previous wandering in view of the fact that they needed him.

A. Yes.

MR. WRIGHT: Q. Now, Mr. Sufrin, if we may turn to page 5 of your brief, you say at the top of the page:

"If the water rate reductions are substantial,

"it is reasonable to expect that the railways "will lose business to the waterways, at "least in the short run, and this loss in "traffic will be confined to the Eastern and "largely to the Central Provinces."

I suppose in writing that paragraph you had in mind to some extent what was said in paragraph 16 of the Canadian Pacific brief, B-87. Would you just turn to that, please? That says:

"The possibility of the St. Lawrence Seaway "resulting in greater competition and lower "freight rates on traffic moving between "ports in Canada has economic implications "of national significance in the field of "transportation. It may adversely affect "railway earnings on traffic subject to this "competition and may shift, to some extent, "the burden of railway transportation costs."

Now in view of water competition and truck competition in the East, I expect you have some fear that that burden, or the major portion of that burden, may be shifted to the West. That is what you have in mind, I take it?

A. Yes.

Q. And you feel, I would take it from what you say, that insofar as that burden is shifted, there should be some compensation given to the West, or to Saskatchewan in particular?

A. Yes, we feel that we should not be the principal repository of that additional burden.

Q. Yes, and you say that you will require some kind of compensation. That appears in the last sentence of the second paragraph on page 5.

THE CHAIRMAN: No; it is that they will require some kind of compensation.

MR. WRIGHT: They will require some kind of compensation.

A. That refers to the railways.

Q. Yes, I am sorry; the railways will require some kind of compensation. Now, would you be good enough to explain just what you have in mind there by way of compensation?

A. Well, perhaps it is easier to explain what we do not have in mind.

Q. Very well, we will see if that answers the question.

A. We feel that the form it should not take is that of an increase in rates on commodities which we export other than grain ---

COMMISSIONER WICKWIRE: I cannot hear you.

A. I am sorry. We feel that it should not take the form of an increase in freight rates on commodities which we both export and import by rail. As to what other form it should take, well, I suppose the field is rather limited. Certainly the word "subsidy" has been used often enough in connection with the railways. It is not one that lends itself to too favourable a consideration by Governments.

MR. WRIGHT: Q. Did you say "too favourable"?

A. Yes. Under the circumstances I do not know what other alternative could be suggested.

Q. Well then, assuming that the railways find that the only place they can get these additional revenues is in the West, do you suggest that that should be made up by way of subsidy?

A. As an alternative to increased freight rates, yes.

THE CHAIRMAN: This is as a substitute to the railroad, is it?

A. Yes.

Q. So if we have an efficient method of transportation brought in, deep-water carriage in the St.Lawrence Canals will be promptly penalized by the Dominion of Canada turning round and subsidizing railroads to the extent of their loss in the efficiency of the new service? It seems to me that we get rapidly into a vicious circle.

MR. WRIGHT: Q. What you say is that the railways being, as I think you have said here, essential to the economy of Canada, must have sufficient money to keep going, and if the Seaway takes away from them a certain amount which is required to keep the railways going, then the Dominion Government should make that up by way of subsidy.

A. The decision has been made to go ahead with the Seaway, whether for good or ill. It is almost an accomplished fact. The question then remains, if there is to be a detrimental effect on the railways, what is the incidence of that effect

to be on the various parts of Canada. We are arguing here that it should not be concentrated in one particular region. If we are projected into a vicious circle because we improve one form of transportation and end up paying a subsidy to another, it seems to me that that is a consideration that should have been had in mind before the decision was made to proceed with the Seaway, but the decision having been made it seems to me we have to face the question of how the impact on the railways is to be felt by the various regions.

THE CHAIRMAN: You wish to take very little responsibility for that decision, but I suggest to you that that decision was largely brought about by the insistence of Western Canada that they must have a cheaper method of transportation.

A. Certainly one of the things that we hope to ensure is that the transportation, not only transportation on the Seaway but transportation generally, remains cheap.

Q. What Mr. Wright is proposing is that the rate of, say, five or six cents a bushel, whatever it may be -- nobody can be exact -- the portion of that which will represent a loss to the railroad should be credited to the railways by permitting them to charge higher freights on the rest of their Western business. Is not that it, Mr. Wright?

MR. WRIGHT: I do not think I am putting it quite that way, Mr. Chairman.

THE CHAIRMAN: You mean you are not putting

it that baldly, but surely that is what it amounts to.

MR. WRIGHT: No. All I am saying is that there is the possibility that the revenues of the railways may be depleted by reason of the construction of the Seaway, and that in view of the present financial position of the railways they may have to seek other places to make up that revenue.

THE CHAIRMAN: But you went further than that. You pointed out that the lowest per mile rate is in the West, and that that would be the normal place to take it up.

MR. WRIGHT: There is a possibility that that may be the case, Mr. Chairman, but all we must do is to endeavour, through the rates which we charge, to obtain sufficient revenues to take care of the fully distributed costs of the railway. Now it is a question of where we are going to get those rates. Mr. Sufrin says we should not take them from the West, and if we do, or if it is indicated that that is the only place we can get them, instead of being permitted to increase those rates we should be given a subsidy by the Dominion Government. I am just trying to develop the problems which might be involved in that approach.

THE CHAIRMAN: Very well. Proceed.

MR. WRIGHT: Q. Mr. Sufrin, how would the quantum of that subsidy be determined?

A. I would think that the railways would be able to estimate, approximately it is true,

the loss in traffic occasioned to them upon the opening of the Seaway and bringing it into full operation. I presume it would be up to the railways to prove that the traffic which they felt they had lost would not have been lost in any event, although I recognize that they are always faced with the need to cover their operating costs, and if that is the result of a drop in the total volume of traffic or diversion of traffic, they would still be in a difficult financial position, but if you are going to distinguish between one form of revenue and another that is obtained by the railways, or one kind of subsidy and another, it would be necessary for the railways to show that a certain part of their financial difficulty was directly attributable to the development of the Seaway. That, presumably, would indicate the amount by which they should be recompensed.

Q. That might impose a very difficult burden on the railways, might it not?

A. It seems to me that the railways have a very difficult problem at any time in allocating costs.

Q. That is just another straw on the camel's back, is it? Supposing the railways asked the Board for an increase in rates in the West, would not they be faced every time with the defence that this increase is being demanded by reason of the loss of revenue from the Seaway?

A. Well, I suppose they would have to take their chance on that.

Q. But that might create a difficult problem too, might it not?

A. I think you can always anticipate that whenever the railways ask for a freight increase you will be faced with every conceivable objection that it is possible to muster.

Q. That is quite true also. Now in writing this section of your submission, did you have in mind the request which you made to the Royal Commission on Transportation for a deficit subsidy?

A. No, we did not.

Q. You did not have that in mind at all?

THE CHAIRMAN: I did not hear the last two words of your question.

MR. WRIGHT: The request which they made for a deficit subsidy. That is referred to on page 157 of the report of the Royal Commission. I take it that that is not what you had in mind at all?

A. Well, we regard that as a subsudy which relates to the present situation in which the railways operate. Any further compensation that would be payable because of the effects of the opening of the Seaway would represent the same kind of problem, it is true, for the railways, but it would be nevertheless a new situation and should be treated as such.

Q. Now this report, at the bottom of page 157, said that the Province -- that is the Province of Saskatchewan -- therefore proposes a

deficit subsidy by payments out of the Federal Treasury to the end that the railways may continue to provide satisfactory services despite inadequate operating revenue. That is much the same as what you are proposing now?

A. Yes.

Q. And that was rejected by the Commission at that time, was it not, for the reasons set out in the report at page 158?

DEAN CRONKITE: Except for the $7,000,000 subsidy.

MR. WRIGHT: That is a different matter.

DEAN CRONKITE: It reduced the rates, just the same.

MR. WRIGHT: Q. Now, if we may turn, Mr. Sufrin, to page 6 of your brief, the last page under the heading of recommendations.

"1. That the primary policy
"objective of the Government of Canada
"toward transportation should be to
"insure the provision of transportation
"services at minimum cost."

I assume what you have in mind there is the total transportation costs of the nation of all transportation media, is that correct?

A. Yes.

Q. And you are not looking at it, I assume, from any short-term point of view. You are looking at it from the long-term point of view?

A. Well, both. There is a possibility that the effect of the Seaway on the railways, if it is detrimental, may be of relatively short length. It is true that partly is in the realm of speculation nevertheless I think it is reasonable speculation. In time there will be room for both the railways and the Seaway under satisfactory conditions with respect to revenue. A subsidy that is defintely related to any loss occasioned to the railways by the Seaway would therefore more easily be, it seems to me, the subject of review and perhaps reduction or abandonment as the general load of traffic continues to increase over a period of time.

Q. Mr. Sufrin, on that line the rates would also be subject to review if the railways proved it was necessary to increase the rates due to the effect of the Seaway?

A. Yes, to the extent that they are permitted to increase their rates in view of some other form of competition.

Q. If it were found some years after the opening of the Seaway that the railway was making more than enough to justify a fair return, the Board would undoubtedly order some reduction, would it not?

A. Yes, and we would welcome that, of course.

Q. Dealing with what I just read to you, does that not to some extent tie into the suggestion you have made that there should be a central transportation authority? Can you obtain the primary policy objective that you suggest there without the setting up of a central transportation authority?

A. Well, it seems to me it would be much more difficult to do so without such---

Q. Without it, yes. Now, looking at that same part, the next sentence:

"This can be achieved by making "sure that transportation industries "are truly competitive or by direct "Government intervention and supervision "(especially with respect to freight

"rates). This latter practice is always "well established so far as railways "are concerned but very little regulation "is provided for water freight rates."

Now, do you mean there when you say "transportation industries are truly competitive", the various transportation agencies are competitive with one another?

A. What we had in mind there was that to the extent any one type of transportation medium lends itself to competition.

Q. I did not get that.

A. To the extent that any one transportation medium lends itself to competition, I felt advantage should be taken of that fact to encourage such competition.

Where that is less so is in the case of the railways where there are only two major operators, then some additional form of control is required. We feel that full use could be made of all the elements of competition now in effect in the field of water transportation.

Q. That is in addition you feel that Canada should derive the full inherent advantages which come from each separate form of transportation and would you say that the Railways are competitive with water transportation?

A. Apparently not.

Q. Well, what is the basis for that statement?

A. Well, the basis for that is the position taken by the railways themselves that they are fully expecting to feel severe loss in traffic to water competition.

Q. Do the railways not at the present time file rates that are competitive with water rates?

THE CHAIRMAN: I will have to ask those present in the room to cease smoking. We have not the advantage of doing it ourselves.

MR. WRIGHT: Q. Are you familiar with that aspect of the problem, Mr. Sufrin?

A. My understanding of it is this that to the extent that they do so, they put themselves in a difficult position revenuewise. They are often required to take a loss in revenue in areas where they are not in a position to meet that form of transportation.

Taking the overall position of the railways it seems to me you cannot say really they are competitive with the cheaper forms of transportation, such as water transportation, merely because of the fact that they adjust their rates downward where competition occurs, where they do try to obtain some volume of traffic.

Q. You are not suggesting that the water competitive rates of the railways are non-compensatory, are you?

A. Well, I do not know what you mean

by "non-compensatory", but it seems to me they are not adequate by themselves to make it so that it is unnecessary for the railways to look for additional revue elsewhere.

Q Well, the argument is this that water competitive rates, at least for the long term, often affect costs of the railways, do they not?

A. I suppose they do.

Q. Otherwise they would not be approved by the Board of Transport Commissioners. So long as they are filing those rates is it not an indication that there is competition between the railway and water?

A. Again in the sense that you are using the word, there is, but in the sense that they are on an equal basis or equally able to compete I would still suggest that is not the case.

Q. I do not think you and I would argue that with certain types of traffic water certainly has an inherent advantage which enables them to carry that traffic more cheaply than the railways can carry it. That is what you mean?

A. Yes.

COMMISSIONER WICKWIRE: Well now, I am sure that there is no answer gone on the record, Mr. Wright. The witness nodded his head and I am sure the Reporter did not get the answer.

A. Yes, I would agree with that statement.

MR. WRIGHT: Would the Reporter mind

reading back the last question?

(Reporter's Note): "Q. I do not think you "and I would argue that with certain types "of traffic water certainly has an inherent "advantage which enables them to carry that "traffic more cheaply than the railways can "carry it. That is what you mean?

"A. Yes."

MR. WRIGHT: Q. Are you familiar with the competitive situation between rail and inter-coastal shipping?

A. No, I am not, I am afraid.

Q. Well then your thinking is really based on the assumption that there is no serious competition between rail and water?

A. No. It is based on the -- not only the assumption but on the expressed opinion of the railways that there will be a reaction between the two transportation systems, forms of transportation.

Q. You are talking about---

A. The whole point of our making reference to the question of rail freight rates is based on that.

Q. Well, I think that is another point, Mr. Sufrin. What I am dealing with here is your recommendation one that the transportation industries should be truly competitive. Now, I suggest---

A. Or subject to regulation.

Q. Or subject to regulation, yes, but I was asking you whether or not there was competition between rail and water?

A. Well, there is a question of how a particular volume of trade is going to move. If it is cheaper to ship it by water then presumably it will move by water. Now, you can call that a state of competition or not but I think those are essentially the facts.

Q. Of course, the rate does not always determine whether it is going to go by water, does it?

A. No, but it plays a very important part.

Q. There are also other considerations, are there not?

A. Well, certainly any movement in wintertime takes place by rail.

Q. I am not thinking of that because it is impossible then to move by water, is that correct?

A. Yes.

Q. Service considerations do play a part, do they not?

A. Yes.

Q. Now, assuming there is competition between rail and water, what is your view with respect to the regulation of competing water carriers? Have you given that any consideration?

A. Regulation with regard to rates?

Q. Yes, licensing and rates.

A. Well, as to licensing, we have no particular view on that question. As to rates we feel that -- perhaps this is going a little beyond the view expressed in the brief, but I think we would probably argue that if the competition provided by the operation of non-Canadian ships was not adequate to establish what we thought was a proper level of rates for water trade then I think we would be prepared to consider the necessity for regulation to insure what we thought was a proper level.

Q. Does not the recommendation you make in (1) indicate that you think there might well be some extension of the freight regulating provision of the Transport Act?

A. There is a possibility that we certainly would not dismiss.

Q. I would just like to refer you to the Canadian pacific Railway's submission, B-87, and see if you agree with paragraphs 8 and 9b of that recommendation?

A. Did you say 87-B?

Q. 87-B.

A. Yes.

Q. Have you got that?

A. Yes.

Q. On page 2?

A. Yes.

Q. Paragraph 8:

"Competition is in itself a form "of control ind in many industries "competition is relied upon almost solely to "regulate production in the interests of "consumbers. In the transportation "industry both competition and regulation "are in force. The problem is to harmonize "them so as to produce the required "transportation at the lowest cost to "the nation."

I suppose you would agree with that?

A. Yes.

Q. And 9:

"It is the railway company's "submission that this economic objective "cannot be achieved, (b) unless "regulation bears evenly on all forms "of transportation, giving as far as "possible equality of opportunity and "of responsibility. Not only is it "manifestly unfair when the burden of "regulation falls more heavily on one "competitor than on another, but it is "also uneconomic because it impairs "the productive strength of the burdened "competitor."

Now, would you agree with that or is that too much to ask in one question?

A. It is quite a bit. Well, I take it that this has reference to the full levelling

of all costs?

Q. No, it does not refer to that at all. It is merely saying that where the railways are regulated they are in a disadvantageous position competing with a transportation agency which is not regulated and therefore it is in the interest of Canada if Canada is to get the full value from the transportation agencies which it has to have competition regulated so that it will be on a fair and equal basis?

A. Well, I would not argue that it is unfair to the railways, regulated as they are, to be faced with a shipping industry that is not regulated provided that the shipping industry is, as you suggest in paragraph 8. I do not wish to argue or wish to argue dogmatically that competition is the perfect answer as far as water compatition is concerned. I think it is a method that has to be tried but if it does not work then I think we will have to look elsewhere for some form of control but I would certainly think we should not presume at the outset that it is an unworkable method.

Q. Well, assuming that the railways and ships are competitive, can you have the truly competitive situation which you mention in your first recommendation when one agency is required to compete for traffic on one basis that is regulated and subject to the provisions of the Transport Act with respect to the filing of rates

which are in accordance with that Act and the giving of rates to shippers on a fair and equal basis. If they give one rate to one shipper they must give the same rate to the next shipper. Whereas the ships do not have to do that. They do not have to file rates. They do not have to give the same rate to one shipper which they gave to a previous shipper?

A. Well, if it were required of shippers by water or shipping companies that they file rates and the effect of that would be to produce a crystalized rate structure that prevails as far as water transportation is concerned, with the end in doing so of perhaps having them on a higher level than might be the case, I would not argue that would be a desirable requirement to place upon them.

Q. I just do not understand what you mean there. Are you for or against regulation?

A. I am against it if it has the effect of minimizing the competition in play and resulting in higher charges.

Q. Of course, would you agree that it would not necessarily have that effect?

A. Not necessarily, but I think it is a danger to be anticipated.

Q. Of course, there are dangers in open competition too, are there not?

A. To the shipping industry primarily.

MR. WRIGHT: That is all, thank you.

THE CHAIRMAN: We will adjourn now then until two o'clock.

---The hearing recessed at 12:25 p.m.

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---Upon resuming at 2:00 p.m.

DEAN CRONKITE: Are you through, Mr. Wright?

MR. WRIGHT: Yes.

DEAN CRONKITE: Q. I had just one or two questions to ask you. Mr. Sufrin, this morning you were in some doubt as to the position of farm machinery with respect to the Customs. Have you been able to have a consultation in the meantime regarding it?

A. I have on that point and it is correct that at the present time the dutyhas been lifted on the importation of farm machinery.

Q. That would include most of the implements naturally used on the farm, would it?

A. With one major exception. I would like to point out that motor vehicles and trucks is a very important aspect in the conduct of agricultural and the duty is still applied there.

Q. Does a tractor rank as a truck or something else?

A. As something else.

Q. Despite its connection with gasoline.

One other thing, this morning I think some of us were left in somedoubt as to whether a subsidy was being paid to grain raisers as a result of the operation of the Wheat Board. I wonder if you could explain that?

A. I would like to correct the impression on that this morning by saying that

the domestic wheat price by virtue of being higher than the export price represents a subsidy on the part of the Canadian consumer, payable to the Wheat Warehouse. In fact there never has been a time that the domestic price was higher than the export price of wheat and there were occasions when the reverse was true, when there was a differentially lower domestic price than the one prevailing on the export market.

For example, in 1944-45 and for a number of years thereafter the domestic price of wheat was 77 cents as compared to the Class 1 export price of wheat of a dollar and a quarter and the Class 2 price of a dollar-forty-two. At the present time the two are about at a parity. The domestic price is $1.76 and the export price is $1.76. There has never been any time when the domestic price exceeded the export price.

THE CHAIRMAN: Q. When the domestic price was lower, the price was controlled by the Wartime Prices and Trade Board?

A. That was true during the war.

Q. Those orders continued long after the war. It was something around 1948 when the last control order of the Board was lifted.

A. As recently as 1948 the domestic price of wheat was $2.00 a bushel and the Class 1 price of export was $2.00 and the Class 2 price was $2.26 so that there have been occasions since the lifting of the price control

when it was possible to obtain a higher return on export sales than domestic sales.

DEAN CRONKITE: Q. From what are you quoting, Mr. Sufrin?

A. I am quoting from the Grain Trade Year Book published in Winnipeg by Sanford Evans.

Q. So for some years if anybody got a subsidy it would be the consumers?

A. The domestic consumers.

Q. Now, just one other matter. On the matter of this Government policy as expressed in the brief with relation to the control of transportation; that principal, and other things being equal, was it your submission that there should be no distinction as amongst carriers themselves; other things being equal, the railway would be regulated and in the same way as the truck or steamship?

A. Other things being equal, yes.

Q. But looking into the future you cannot say whether things would be equal or not, of course?

A. No.

DEAN CRONKITE: I think that is all I have to ask, Mr. Chairman.

MR. MUNDELL: Q. Just one question. When the price was 77 cents, for the record, was there not a 50 cent subsidy being paid as well to the millers. There was some subsidy concurrent with the 77 cents price?

A. Well, if there was a subsidy paid to millers that, of course, would not---.

Q. I am not sure whether it was a 50 cent subsidy. However, you do not know?

A. I do not know at all.

DEAN CRONKITE: If so, it would not go to the grain producers.

MR. MUNDELL: I am not sure it did not go to the Wheat Board.

COMMISSIONER BELANGER: Q. Are the quotations of those prices F. O. B. Winnipeg or Montreal?

A. F. O. B. Lakehead, I believe. Certainly represents the price of wheat F. O. B. Lakehead.

Q. They are both on the same basis?

A. Yes.

Q. The international price and the domestic price, they are all quoted on the same basis?

A. Yes.

THE CHAIRMAN: How is wheat sold for the domestic use? Is it through the Wheat Board?

A. All the wheat sold from the farm is handled by the Wheat Board. At what point it leaves from the Wheat Board for domestic use I am not sure but all sales as far as the farmer is concerned are Wheat Board sales.

THE CHAIRMAN: Thank you very much, sir.

---The witness retires.

MR. GERIN-LAJOIE: Mr. Chairman, the next presentation will be that of the Saskatchewan Farmers' Union. I understand that Mr. W. J. Ferguson is appearing for the Union.

MR. Chairman, may I draw your attention to the fact that the Secretary of the Commission has received a number of copies of the written submission by the Saskatchewan Farmers' Union. Possibly this submission could be filed as Exhibit No. 66.

THE CHAIRMAN: The next exhibit is Exhibit No. 66.

The brief of the Saskatchewan Farmers' Union is Exhibit 66. It is for submission on the 7th of September. It is not dated. It was received in the last few days.

---EXHIBIT NO. 66: Brief of the Saskatchewan Farmers' Union.

THE CHAIRMAN: All right, Mr. Ferguson.

SUBMISSION OF THE SASKATCHEWAN FARMERS' UNION

MR. W.J. FERGUSON: Honourable Chairman and Gentlemen. I am representing, as you know, the Saskatchewan Farmers' Union which is an organization of a group of farmers inthe agricultural industry and present the problems arising to the groups of further interest.

I do not think that there is anything else I want to add to our submission and as I represent the farmers, I myself am a farmer, I can only answer questions arising from the brief as a farmer. I am not an economist or statistician but I will

do my humble best to answer any questions you want to ask arising out of the brief.

THE CHAIRMAN: Thank you, Mr. Ferguson.

MR. GERIN-LAJOIE: Q. Mr. Ferguson, can you tell for the benefit of the Commission what exactly your Saskatchewan Farmers Union is, what group does it include? Does it include only farmers or groups of farmers? Can you explain the setup of your Union?

A. Our executive consists of elected personnel elected at a duly constituted annual convention, which consists of a president, a first and second vice-president and we are the chief executive officials. Then the Board of Directors appoints three members from the Board of Directors to act as executive officials as well.

Q. Can you tell us who is entitled to participate in this annual convention you have mentioned?

A. All members whose membership is paid up at the time of the convention, all members in good standing.

Q. Do you have members in good standing -- do you have members all over the Province of Saskatchewan?

A. Oh yes. We at the present time have in the neighbourhood of 35,000 farmers as members of the Farmers' Union.

Probably, I should have explained a little further in answer to your first question. I thought

probably you meant the people who are entitled to participate in voting at the provincial convention.

We have our organization spread throughout the Province with over 1,000 Locals. According to the membership of that Local, for each 20 members in the Local they are entitled to one official delegate at the Provincial Convention.

Q. Do you become a member of the Association by applying for membership and paying your dues?

A. Exactly.

Q. The only requirement is to be the owner of a farm or the operator?

A. A member of the Union must derive the greater part of his financial income directly from agriculture.

Q. So he could be a salaried farmer, could he not?

A. No, if he was a salaried farmer he would only be entitled to associate membership. He would not be entitled to vote.

Q. If I may refer to a number of statements in your brief. First may I look at page 2 when you mention that the Saskatchewan grain movement is chiefly eastward to the Lakehead ports, would you be in a position or not to tell the Commission to what extent this movement is eastward and if any proportion is going westward and what proportion?

A. I would not be able to give you the figures but Saskatchewan grain mainly moves east and most of the grain movement west moves from Alberta. We in Saskatchewan are producing about twice or about a quarter again the amount of grain that is produced by both Manitoba and Alberta so Saskatchewan is the biggest grain producing Province on the Prairies.

Q. If I may go to page 4 of your brief you mention that the United States Department of Commerce has estimated that the savings that will result from movement of grain on the St. Lawrence River will amount to from five to seven cents a bushel. Can you tell the Commission the source of this information or whether the Department of Commerce of the United States has published any such figure?

A. I do not recall definitely just what pamphlet issued by the United States Department of Agriculture we got that from. It was from some of the literature turned out by the United States Department of Agriculture.

Q. A little further along in the same page you mention that the Prairie growers pay the rail transportation cost of grain moving east as far as the Lakehead but from the Lakehead east the transportation costs are paid by the buyer. Is what you have in mind here the price of grain is determined as F. O. B. Fort William or in store at Fort William or can you

explain what you have in mind here because when you mention that the costs of transportation are paid by the grower west of the Lakehead and by the buyer east of the lakehead, I suppose that is not exactly what happens in the books because transportation is not mentioned separately, is it?

A. No. The producer pays the freight from the first shipyard or terminal at the Lakehead.

Q. I suppose the true price of the grain is determined in bulk for so much a bushel at a certain place?

A. At the Lakehead. We believe if we were faced today with the situation we are in of finding a buyer for our grain -- one of the main points in the selling of our grain is the cost of transportation and the buyer pays the cost of transportation from the Lakehead to its destination and if the St. Lawrence Seaway is going to mean a saving of five or six cents a bushel, we feel part of that or as much of it as possible should go to the buyer or importer to make it easier for the Wheat Board to sell the wheat on a competitive market.

Q. Mr. Ferguson, is it not true -- I am just trying to get this as clear as possible, to find out what was in your mind, is it not true that the price of the wheat from Saskatchewan is determined by the world market?

A. Certainly it is not. No, it is not based on the world market because we have our

I. W. A. and it is only that part of grain that is sold outside of the I. W. A. that is not sold at a steady and guaranteed price.

Q. Has this agreement been in effect for the past few years?

A. Since the International Wheat Agreement was set up and signed.

Q. Can you tell the Commission if this agreement has been brought into effect -- is this not the fourth year?

A. The International Wheat Agreement terminates in 1956 when we hope that a new International Wheat Agreement will be signed.

Q. These agreements I understand, provide a maximum and minimum price but they do not fix the determined price, do they?

A. Sure, they do.

Q. Are you definite on that or is that an impression you have?

A. We have a fixed price of $1.76.

Q. Is this the price fixed by international agreement?

A. Yes.

Q. Because the information I have -- I wish you to say whether your information was the same, was that the International Agreement fixed a maximum and minimum price and that there was a marginal---

A. I see what you are getting at now. There is a maximum and minimum price, sure, there

is a floor and a ceiling.

Q. And the exact price has to be determined between the buyer and the seller and is there not any margin? Let us say the International Agreement would provide that the price of wheat is -- just an example -- between $1.75 and $2.10. For instance, and the precise price would have to be determined between the buyer and seller and it may be at $1.75 or maybe $1.85 or maybe $1.95 without conflicting with the International Agreements?

A. I do not care to commit myself in answering your question because I may not be correct. All I am interested in is the fact that I know we have for some time been getting $1.76.

Q. When you mention that the cost of transportation from the Lakehead to Montreal or to any other port even outside of Canada, is paid by the buyer, is that entirely right or is it not true that the grower in the Western Provinces has to support that additional cost if the International Market cannot afford it?

A. No, no part of the cost of transportation.

Q. In the end would not the price of your wheat be lower if the cost of transportation was higher, let us say, from the Lakehead to Montreal?

A. Well, I had an instance of that last

winter when the price was reduced seven cents at the Halifax Yard, the Atlantic Seaboard, as a comparative price and that was when the price was reduced at the terminus by that amount.

Q. If I may pass to page 5 of your brief. I would like you to say exactly what you had in mind when you say that the deepening of the Seaway must not benefit -- I am quoting "That the economic benefits made possible by the Seaway in lower rates and faster shipment must be passed on to the Canadian people as a whole and must not be diverted to enrich a few privileged groups."

Has there been any suggestion made to the Commission which would have the effect of diverting the benefits of the Seaway to enrich a few privileged groups?

A. No.

Q. This is a very harsh statement and I would like to know if you can explain it.

A. I do not know there has been. We simply say it is a possibility.

Q. What you have in mind there was a possibility. I might mention that you have comparatively the same statement in two or three places in your brief and this may be a proper time to explain what you have in mind.

A. Well, what we had in mind there, we are not supporting the entry of foreign shipping into the Great Lakes when the Seaway

was opened for trade. In estimating three or four years and that the savings on grain shipmants have been estimated at about six cents a bushel, which would place the Canadian grain trade in a stronger bargaining position in the world markets and since the railways are likely to lose some of their bargaining -- markets to Lakehead shipping and maybe forced to lower rates to Eastern Canada, we oppose any desire to have those losses made up by imposing higher rates in other parts of Canada and these few boats have merely to form a lake shipping monopoly to prevent the possible benefits of the Seaway being passed on to the Canadian people on the whole.

Q. On this point do you think there is any possibility of a lake shipping monopoly? What situation do you envisage when you talk of a possible monopoly in the Great Lakes' area?

A. There is always this possibility if there is not a Commission or a Controller, someone to watch over things.

THE CHAIRMAN: Q. Well, Mr. Ferguson, there are 23 companies engaged in the lake carriage of grain, some big and some small. How is it possible to speak of a monopoly, mono, one, with 23 companies in the trade with 23 different interests? Do you mean "monopoly" or do you mean "combine"?

A. Probably it would refer as much to a "combine" as a "monopoly".

Q. If there is any evidence of a combine in the Ontario Lake Carriers, this Commission would be very happy to hear it so that it could be passed on to the appropriate Government Department for investigation.

MR. GERIN-LAJOIE: Q. A little further on at page 6 --.

THE CHAIRMAN: Firstly, before you go past page 5, I quote the second complete sentence:

"For example, the Saskatchewan "farmers hope that when the Seaway is "completed, coastal shipment of Ungava "ore to Lake Ports will result in "direct savings on prices of farm machinery "and many other items purchased by them "and imported by this route."

Mr. Ferguson, the ore which is leaving Ungava, as you will find out this morning, something over 90 per cent of that does not come within coasting trade at all but in international trade to United States' ports so that therefore it is not directly any concern of this Commission which is empowered to investigate coasting trade and international trade only insofar as it is affected by the coasting trade. I suggest to you that the word "coasting trade" is not used in accordance with the use of the word in the Canada Shipping Act and of the word "coasting" in Canadian shipping. Coasting trade is not international, not from one port in Canada to

another. Do you understand me?

A. Yes.

Q. How would that fact affect your statement? How are we interested in the savings in the costs of transportation of ore to American industries?

A. We would expect that would be lower in the cost of steel and that is why we were interested in a saving in the prices of farm machinery.

MR. GERIN-LAJOIE: Q. At the top of page 6, Mr. Ferguson, you mention that:

"It appears that the Canadian "shipbuilding interests would go further "and ask that none but Canadian-built "ships be permitted to use the Seaway."

You go further than what you have just mentioned at the top of page five. Have you seen any such suggestion by any shipping group or any other groups who have appeared before this Commission or submitted a brief in writing? As far as I have seen the suggestions coming closest to this cover only coastal shipping and not international shipping using this St. Lawrence Seaway. I wonder if you had in mind that some groups might have suggested the use of the Seaway for any purposes should be restricted to Canadian-built ships?

A. I have no answer for that.

Q. A little further on in the second

paragraph of page 6, in the middle of the page, you put forward in the brief possible solutions to the problems of shipowners and shipbuilders in Canada. You mention as the first possible solution the acquisition of a Government owned Merchant Marine. Have you got any view which you would like to elaborate on this statement? What kind of Merchant Marine do you have in mind? Is it for coastal shipping and should the Government engage in the coasting shipping?

A. What we had in mind with that was that we feel that if the Department of National Defence in time of emergency had need of a Merchant Marine that probably in peacetime would be a good time to build that up and have it operating in case of an emergency.

Q. When you say that the Department of Defence may need a number of ships, do you mean that it would need Merchant ships and not warships?

A. Which could be easily turned into war---

Q. You mean the Government needs at the present time a number of Merchant ships which could be turned over into warships in time of war. Is that what you had in mind?

A. It has been done in other countries.

Q. Is this what you had in mind here in making this statement?

A. I think mainly that is what they had

in mind, yes.

COMMISSIONER WICKWIRE: The suggestion has been, Mr. Ferguson, that in order for the Government to have warships it must have shipyards in which to build them and in order to have shipyards you must have a Merchant fleet to give work to the shipyards so that in time of emergency the shipyards exist and could be extended to look after your fleet. What about that? What is your position with relation to that argument?

A. Well, we go further. We say that in either case the cost would be borne by all the taxpayers which, our organization believes, would be preferable to creating a monopoly that would tend to cripple the natural growth and expansion of the Canadian economy.

MR. GERIN-LAJOIE: Q. Mr. Ferguson, you mention in your brief that your Association believes that protection of the Lake shipping industry cannot be justified if such protection means increased costs for the users of water transportation. I wonder if you really can make the statement if the coasting trade of Canada were to be reserved to Canadian-built and Canadian-registered ships, which might include higher cost of water transportation but other factors remaining the same with lower cost arising from the deepening of the Seaway which would probably not put any raise in the costs.

THE CHAIRMAN: The ship owners or the shipbuilders have gone further than that, Mr. Lajoie. They have assured this Commission that even with restriction upon the completion of the Seaway the costs of transportation on the Great Lakes will definitely be lower so that it is not a question of restriction meaning increased costs; it is a question of whether restriction will prevent costs going down as much as they might otherwise have done.

MR. GERIN-LAJOIE: Q. If that is so, do you still hold the position that there should not be any protection for the shipbuilders and ship owners operating in the costing trade or have you given any consideration to that?

A. I am not clear enough on this thing.

Q. I quite appreciate that. At the end of your brief your last proposal is for the establishment of an over-riding Canadian Transport Authority to co-ordinate the work of existing transport bodies.

Do you propose to create an organization which is to co-ordinate existing transport bodies or would you also include, as some other groups have proposed, as the Government of Saskatchewan has actually proposed to include trucking, for instance? Actually, at page 7 of your brief you mention and I quote:

"We believe that the whole trans-

"portation system, including railways,
"trucking, airways and coastal shipping,
"must be considered as a national
"investment..." etcetera, and when you come to your proposal on page 8 you talk about existing transport bodies. I do not think that there is at the present time any body regulating trucking across Canada. Is it your proposal to create a new body to regulate trucking as well as the others?

A. Yes, all forms of transportation.

Q. Do you have any knowledge of what practical results such other regulating body could bring about?

A. All we have to base it on is the results that have been obtained by having a transportation Controller inthe distribution of boxcars with our railways when they are moving grain.

MR. GERIN-LAJOIE: In view of Mr. Ferguson's statement that he did not pretend to be a statistician or an economist, I think I have no further questions regarding the details of the brief.

Thank you very much, Mr. Ferguson.

MR. WRIGHT: No questions, Mr. Chairman.

---The witness retires.

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MR. MUNDELL: The next brief, Mr. Chairman, is the brief of the Saskatchewan Wheat Pool, and Mr. Milliken is appearing on behalf of the Saskatchewan Wheat Pool.

SUBMISSION OF THE SASKATCHEWAN WHEAT POOL

Mr. R.H. Milliken, Q.C., appearing.

MR. MILLIKEN: Mr. Chairman, I must apologize for my apparent discourtesy in not appearing earlier today. When I did arrive I found I was without my glasses, and had to return for them.

The Saskatchewan Wheat Pool is an elevator and grain marketing organization ---

THE CHAIRMAN: Just before you proceed, Mr. Milliken, I might say that this brief came to us for the first time this morning. I think we should mark it as Exhibit 67.

---EXHIBIT NO. 67: Brief of Saskatchewan Wheat Pool, dated September 7th, 1955.

MR. MILLIKEN: With your permission, Mr. Chairman, Mr. Arthur Stevens, the Assistant Secretary of the Wheat Pool, will read the brief.

ARTHUR STEVENS, called.

MR. MILLIKEN: Q. Mr. Stevens, you are the Assistant Secretary of the Saskatchewan Wheat Pool?

A. That is right.

Q. And the brief that you are going to

read is authorized by the Directors of the Saskatchewan Wheat Pool?

A. That is right.

Mr. Chairman and Commissioners, the Saskatchewan Wheat Pool is a producers' co-operative organization with a membership of more than 100,000 Saskatchewan farmers. Its business activities include the operation of more than 1,100 country elevators, three terminal elevators at Fort William/Port Arthur, a province-wide livestock assembling and shipping service, a flour mill and a vegetable oil plant in Saskatoon, and a printing and publishing plant.

Organization and Interest: Its operations are directed by a Board of sixteen directors. All directors are farmers and all must stand for election annually. In addition to the efficient operation of the business activities of the organization, the Wheat Pool Board of Directors is held responsible for the promotion of sound farm policies proposed by members.

One of the major objectives is to attain the highest degree of efficiency and the lowest possible cost in the movement of grain and livestock from the farm to the ultimate market. This objective reflects the western farmer's awareness of the competitive handicap he faces in the marketing of farm products grown in an inland area, far from ocean transportation.

Because of its interest in low cost transportation services, the Wheat Pool has a natural

concern with all factors which may affect the coasting trade, particularly in the Great Lakes and St. Lawrence area, through which the major portion of Saskatchewan farm products move to market.

As a grain handling organization the Pool is of the opinion that problems affecting the transportation industry, including coastal shipping must be approached from the viewpoint of the national interest. Because of Canada's dependence on export markets, the national interest must be the primary consideration -- and the welfare of individual segments of the economy can be considered only after the national interest has been served.

Importance of Wheat and Other Grains in the Coastal Shipping Trade: The importance of grain, largely produced in Saskatchewan and Manitoba, in the coasting trade on the Great Lakes and St. Lawrence, is shown clearly in the following table.

These are cargoes loaded in coast-wise service by commodities for the year ending December 31st, 1953. These are at Great Lakes and St. Lawrence ports above Montreal, and you will observe that the tonnage is set out there. Wheat, 8,014,766 tons, and this is 50% of the total movement; other grains and grain products amounted to 4,870,711 tons, giving you a total grain and grain products of 12,885,477 tons, which is 80.5% of the total movement, and the grand total of all commodities is 16,004,877 tons. These figures, I might say, are from the Shipping Report, 1953,

of the Dominion Bureau of Statistics.

The above table shows that wheat alone accounted for 50% of the tonnage carried in this area in 1953. If all grains and grain products are considered, this single commodity group accounts for 80% of the total.

Importance of Wheat in the National Economy: It has always been recognized that wheat is the lifeblood of the west, but its significance nationally is sometimes overlooked. The following table shows that during much of the past twenty-five year period wheat has ranked first in dollar value of all Canada's export commodities, and then we have set out below the figures along with the figures of its closest competitor, newsprint, and I presume you will take those as read. In most cases -- I believe there is one exception -- wheat has led the field. These figures are from the Canada Year Book, 1954.

The above table makes it clear that any market reduction in export volume of Canadian wheat would have a serious effect on national income and welfare. Canada's reputation in world wheat markets has been built because a rigidly-graded, high-quality product has always been supplied. While this gives us a competitive advantage, this advantage is offset to some extent by the proximity to ocean transportation enjoyed by some of our main competitors in the wheat export market.

Vulnerability because of Dependence on Export Market: Canada is in a vulnerable position

in the wheat industry because most of our production must be sold in the export market. Unlike some of our major competitors, only a relatively small proportion of Canadian wheat can be consumed at home.

Then we have set out in tables taken from "Grain Trade of Canada" the marketings of wheat from the Prairie Provinces year by year from 1944-45 to 1953-54, and set out in the same way are the exports of wheat and flour.

I might point out, and you will notice it, that there are some places where the exports of wheat and flour are actually higher than the marketings, and, of course, that is because those go back to the years when there were large supplies of stocks held from year to year during the period of the war and after the war. This gives you a ten-year average of marketings of 354.3 millions, and of exports of wheat and flour of 281.5 millions.

The above table shows that the average quantity exported annually during the past 10 years has equalled 79.5% of farmers' wheat deliveries. This is possibly a higher average than would be shown if a longer priod were used. Nevertheless, it illustrates our dependence on the export market for wheat.

We have elaborated the importance of wheat before the Commission, because it influences trade and prosperity, not only in the West, but also in other parts of Canada. It also is the major commodity shipped in coasting trade through a

large part of the area with which your Commission is concerned.

We believe the statistics we have presented show clearly that the western farmer's interest in this case is vitally important and must be protected.

St. Lawrence Seaway: It has been suggested that development of the St. Lawrence Seaway will result in increased competition from British and foreign vessels to the detriment of Canadian coastal ship operators and shipbuilders. It is doubtful if sufficient evidence is available to substantiate this theory. There are reasons why it is unlikely that ocean-going vessels will be able to compete successfully with Canadian coastal operators, particularly in the Great Lakes and St. Lawrence area. Certainly it would be unwise to assume at the present time that Canadian ship interests will suffer. If, after the Seaway has been completed and used for a considerable time, there is evidence of difficulty, it may be necessary to give the matter further study.

Even if such an eventuality should arise, it is very doubtful if restriction of British and foreign competition would be the proper solution. Restriction of competition would result in higher water freight charges with an adverse effect on a large part of the Canadian economy. A problem of this kind must be dealt with from the viewpoint of the national interest, and it would be unfair to inflict increased transportation costs

on the vast majority of Canadian producers and consumers in order to protect a relatively smaller industry.

Through the years since the St. Lawrence Seaway was first proposed, the West has anticipated certain savings as a result of its construction. In particular, a considerable saving has been anticipated in the lake movement of grain as a result of elimination of transshipment in canalers between the Prescott area and Montreal.

The same principle holds true for the movement of incoming consumer goods.

In a preceding section we have emphasized the difficulties faced by Canadian wheat producers in maintaining export volume because of the advantage of lower transportation costs enjoyed by their competitors. The same problem exists in the marketing of many other primary farm commodities.

If the publicly-financed St. Lawrence Seaway results, as it is hoped, in lower transportation costs, the movement of grain and other farm commodities to world markets may be stimulated. Similarly, the trade in incoming consumer goods can be expected to increase.

We believe that the resulting increased movement of goods, along with the natural stimulus of economic activity anticipated as a result of the Seaway development, will provide an opportunity for Canadian ship interests far outweighing any competitive disadvantage they may suffer.

For these reasons we believe it would be a mistake to amend Canadian coastal shipping laws by introducing any further restrictions against British and foreign vessels. We submit that the provisions of Part 13 (Coasting Trade of Canada) of the Canada Shipping Act should remain unchanged.

Canadian Shipyards: It is understood that Canadian lake shipbuilding interests are disturbed about the threat of new competition from British or other shipyards which will be in a position to build for Upper Lake traffic once the Seaway is completed. At the same time, the lake yards will be in a position to seek orders from other coastal shipping interests and even enter the field of building for ocean traffic. Again, as in the case of the shipping lines themselves, it is difficult to predict what the competitive position will be. In the light of the uncertainties ahead, we would suggest it unwise to alter existing legislation, at least until much more evidence is available that a serious problem exists.

British and Foreign Trade: As an organization of producers, the Saskatchewan Wheat Pool has always maintained that every approach must be investigated of increasing our trade with the United Kingdom and other foreign countries. For many years, and particularly since the war, the United Kingdom and other European countries have been forced to depend on their ocean fleets to provide much of the dollar currency they require to

pay for imports from Canada. We submit that the national interest of Canada might be well served at the present time by considering every possible means of encouraging the maintenance and further development of the United Kingdom and foreign shipping industries.

The United Kingdom is by far the largest buyer of Canadian wheat, and is our best market for many other products. This bi-lateral trade is limited to some extent by the dollar currency position of the United Kingdom. Any action to increase trade between the two countries would be reflected in greater economic activity in Canada.

National Defence: A basic shipping and shipbuilding industry is of vital importance for national defence. We understand that this argument has been used before your Commission as a reason for providing additional protection for the lake shipping industry. In reply, we would first reiterate a statement made previously; that until such time as it becomes evident that the Canadian lake ship industry is in financial jeopardy, no action is necessary.

If some action is deemed necessary in future, due to defence requirements, we believe it should follow the established pattern of all defence undertakings and be dealt with by the Government of Canada. National defence is a Federal Government responsibility, the costs of which should be borne through taxation, by all the people of Canada.

Summary and Conclusions: 1. As a producers'

organization, the Saskatchewan Wheat Pool has a major interest in the level of transportation costs in Canada. Much of the primary farm production exported from the West is carried in the coasting trade in the Great Lakes and St. Lawrence region.

2. Grain and grain products constituted more than 80% of the cargo loaded in coast-wise service on the Great Lakes and St. Lawrence, above Montreal, during 1953.

3. Wheat is one of Canada's most important export commodities in dollar value, but because of our dependence on the export market, we are constantly in a vulnerable position. It is in the interest of the nation as a whole to keep transportation costs as low as possible, and permit Canadian wheat and other products to compete favourably with the export farm products of other nations.

4. Canadian farmers anticipate savings in transportation costs on their export products and incoming consumer goods as a result of the St. Lawrence Seaway Development.

5. The Saskatchewan Wheat Pool believes that the ultimate effect of the St.Lawrence Seaway Development on the Canadian lake shipping and shipbuilding industries cannot be determined until the development is completed and in use. Protective measures for these industries should not be considered until it is evident that such measures are required.

6. The Saskatchewan Wheat Pool opposes

any change in Canada's coastal laws which might have the effect of further restricting the participation of British and foreign vessels in the coasting trade.

7. British and foreign shipping interests should be encouraged to operate in the Canadian trade as a means of stimulating additional dollar purchases from Canada by these countries.

8, If, for defence reasons, it should ever become necessary to sustain the Canadian lake shipping fleet, the burden of cost should be borne through taxation, as a defence expenditure of the Canadian Government.

Q. Mr. Stevens, there is one point on page 3 which I think you might possibly clarify. At the top of the page you say: "The importance of grain, largely produced in Saskatchewan and Manitoba ..." Now, you do not mean just what that says, do you, because there is more grain produced in Saskatchewan and Alberta than in Saskatchewan and Manitoba? What you are thinking of is the grain going East?

A. Yes, the Alberta grain largely goes to Vancouver.

Q. Do you know where the freight line splits between Saskatchewan and Alberta?

A. It is difficult to define because it hinges on a number of points, but the Western fringe of Saskatchewan is in the Vancouver shipping area.

Q. That is, the freight rate is less

than to the Lakehead?

A. Yes.

Q. It breaks about twenty miles from the boundary?

A. Yes, about that, but there have been changes which take place from time to time to ---

THE CHAIRMAN: I have pointed out to other counsel on several occasions that when they are examining a witness they should let the witness give the evidence.

MR. MILLIKEN: I beg your pardon, sir. I noticed that the question was asked of Mr. Ferguson, and he was not sure where that division was.

THE CHAIRMAN: I appreciate that, but you were making it seem as if you were much more able to give the evidence than the witness was.

MR. MILLIKEN: I am sorry to offend in that way. I think those are the only questions I wish to ask. When Mr. Stevens read the brief I thought that left a wrong impression altogether.

THE CHAIRMAN: Yes. Very well, will you examine for the Commission, Mr. Mundell?

MR. MUNDELL: Shall I start now, or would you prefer to have the afternoon recess now?

THE CHAIRMAN: Yes, it might be preferable to have the recess now.

---A short recess.

DEAN CRONKITE: Mr. Mundell has been kind enough to say that I may call the attention of

the Commission to something before he begins to cross-examine. This morning, when Mr. Sufrin was a witness for the Province, a good many questions were put to him by counsel and by the Commission regarding combines and monopolies. One of our Province's research economists has brought me a report of the Royal Commission of 1920 -- it is the report of the Royal Commission on Lake Grain Rates. The Royal Commission was headed by S.J. McLean, and the two other members were General T.L. Tremblay and Mr. Levi Thompson. In the summary on page 51 of this report it is stated:

> "It is admitted that, at one time "during the 1922 shipping season, vessel "operators controlling a sufficient proportion "of the bulk freighters under the Upper Lakes "to constitute a virtual monopoly, combined "to fix rates to be charged on the shipment "of grain on these Lakes, and in the opinion "of your Commission a tacit understanding "between these operators as to those rates "existed during the whole season, and mea-"sures should be taken to prevent its con-"tinuation."

That is in the report of the Royal Commission appointed by the Dominion Government. I do not know anything about the truth of it, but the statement is contained in a public document, and I suggest that if there was danger at that time there could be danger in 1955.

THE CHAIRMAN: That finding was not as to a danger; it was as to a fact. The question is whether the fact exists today. It is interesting to know, and I am glad to have a reference that such a thing did happen in 1920-21 or 1921-22.

DEAN CRONKITE: It was the 1922 shipping season. Well, the Province does not claim that there is a combine at present; it merely says there could be a danger of a combine.

COMMISSIONER WICKWIRE: Are you filing that as an exhibit?

DEAN CRONKITE: I think we have only one of them here.

MR. MUNDELL: I think it will be obtainable in Ottawa.

COMMISSIONER WICKWIRE: Will you give me the reference again, please?

THE CHAIRMAN: It is the report of the Royal Commission on Lake Grain Rates.

DEAN CRONKITE: The title is "Lake Grain Rates Report".

MR. GERIN-LAJOIE: What year is the publication?

DEAN CRONKITE: 1923. The order-in-council constituting the Commission was dated the 17th day of January, 1923.

MR. MUNDELL: It is number 211 of 1923. It was printed by order of Parliament, and I presume that number is the Parliamentary record number.

THE CHAIRMAN: It might be the P.C. order

setting up the Commission. That is before any S.O.R. series.

MR. MUNDELL: It is Sessional Paper No. 211.

DEAN CRONKITE: Yes, Privy Council 118 of 1923.

MR. MUNDELL: Q. Returning to the submission of the Saskatchewan Wheat Pool, I was wondering if I could ask you one or two questions, Mr. Stevens. I do not think the Commission has on record anywhere a description of the Saskatchewan Wheat Pool, or a brief history of its constitution. You would not have that ready in some annual report?

MR. MILLIKEN: What is that, sir?

MR. MUNDELL: A history of the Wheat Pool to put in the records of the Commission.

THE WITNESS: Yes, we can give you documentary evidence of that.

MR. MUNDELL: I think it would be unnecessarily lengthy to go into it here. I wonder if you could file material on that?

MR. MILLIKEN: You do not want the incorporation of the company, the charter and by-laws, and everything? We have that in a little pamphlet or a little booklet.

MR. MUNDELL: I think that would be worth filing.

MR. MILLIKEN: You would also like a little history?

MR. MUNDELL: I thought you might have that in one of your annual reports.

THE WITNESS: I think the best answer to that would be Paper No. 1 which sets out the Articles of Association and ---

MR. MILLIKEN: I think, sir, you are asking for a little more. You are asking for the background, and what this organization really is.

MR. MUNDELL: Yes, I think it would be worthwhile to have that filed with the Commission.

MR. MILLIKEN: Will this undertaking be all right: If there is not one in print at the present time we will prepare a short history of the organization apart altogether from the incorporation and the Articles. They are not really what you want; you want to know what this organization is.

MR. MUNDELL: Yes.

THE CHAIRMAN: Will you forward it to the Secretary?

MR. MILLIKEN: Yes. Thank you.

MR. MUNDELL: Q. I have one other preliminary question. Does the Pool carry on export marketing at the present time?

A. No -- wait; I should re-state the answer to that question. We have an export department, and we do carry on an export business within the framework of the operations of the Canadian Wheat Board.

Q. I wonder if you would explain what you mean by "within the framework of the Canadian Wheat Board"?

A. The Canadian Wheat Board markets all

grain in Canada. That is to say, all sales of grain are made by the Canadian Wheat Board, but the various companies forward that grain, and we have an export department and we, on occasion, move grain forward.

Q. That is, you would carry out the movement, but you do not actually carry out the sale?

A. That is right.

Q. You would have in your organization individuals who are quite familiar, or very familiar, with the movement of the grain forward?

A. That is right.

Q. And I take it to some extent you are in a position to speak of those movements, are you?

A. Well, I do not profess to know a great many of the details of the export department. It is located in Winnipeg, and we do not come too closely in touch with the actual day-to-day operations of it, but we could, of course, get that information for you.

COMMISSIONER WICKWIRE: Could we have somebody, if necessary, appear in Winnipeg?

A. Yes.

THE CHAIRMAN: Q. We will be there tomorrow, and I do not think we could look for a much more authoritative source of grain movement than from one of the men in that department.

A. I feel reasonably satisfied that we could arrange that.

MR. MUNDELL: Q. I think that will be very

satisfactory if you could do that. Possibly we could make arrangements after we finish about how to get in touch with him. Then there is one other thing: On page 5 of your submission, in the table, you use the words "marketings of wheat". That means marketings by the farmer off the farm, as I understand it?

A. That is right. Mr. Chairman, I might just draw your attention to a slight correction which should be made here. At the bottom of page 5 the publication is referred to as the "Sanford Evans Grain Trade of Canada"; it should be "The Sanford Evans Grain Trade Year Book".

Q. Now we come to some more general matters. You said this twice I think, once on page 4 at the bottom of the paragraph two-thirds of the way down the page:

"The above table makes it very clear "that any market reduction in export "volume of Canadian wheat would have "a serious effect on national income "and welfare.", and on page 6:

"We have elaborated the importance "of wheat before the Commission, because "it influences trade and prosperity, "not only in the west, but also in other "parts of Canada.".

Will you elaborate upon that, please?

A. Well, it is a very easy matter I think to grasp the significance of the value of wheat in Western Canada. It is probably sometimes less understood how important it is in Eastern Canada. When you considerthe terrific dollar value of wheat that enters into the trade of Canada, it must be a terrific economic factor not only to the farming population but to all sections in Canada.

Q. Going back to your table on page 4 you say that for the year 1952 the export dollar value of wheat was $621,000,000. I take it that is the figure of the value of the wheat that was exported. You say that is of tremendous value to the whole of Canada as a source of foreign exchange if nothing else?

A. Yes.

THE CHAIRMAN: Have the figures for 1953 and 1954 been made available? That table stops in 1952.

A. You are referring now to the table on page 4, the leading domestic exports dollar value?

Q. Yes.

A. I do not think they are available yet. At least they are not available through any sources accessible to us. They are not in the Canada Year Book. As you know, that publication usually comes out some months late.

THE CHAIRMAN: The Dominion Bureau of Statistics picks it up more recently than that,

and we can probably hear from them.

MR. MUNDELL: Q. With respect to that figure of the dollar value of wheat, does that include wheat and wheat products or simply wheat?

A. No, I think that includes wheat products.

COMMISSIONER WICKWIRE: That is the figures on page 4?

MR. MUNDELL: That is correct.

Q. With regard to this general statement you make that it influences trade and prosperity virtually throughout Canada, that is because of the value of the total exports to Canada as a whole?

A. That is right.

Q. Now coming to the bottom of page 6 under the heading "St. Lawrence Seaway" you state: "It is doubtful if sufficient evidence is available to substantiate this theory", i.e. the theory that competition from British and foreign vessels to the detriment of Canadian coastal ship operators and shipbuilders, will develop. Have you been over the evidence of the shipbuilders in connection with that?

A. Not specifically, no.

Q. You go on: "There are reasons why it is unlikely that ocean-going vessels will be able to compete successfully". Could you elaborate on those reasons?

A. Well, we think that the proximity, for instance, has a great deal to do with it.

Q. I think you will have to elaborate on that for my benefit at any rate?

A. I propose to. The shipping companies that are operating in the Great Lakes are right on the territory, and I think, if you look at the other side of the picture for a moment you will agree that a shipping company with headquarters at Newcastle-on-Tyne would not be in quite as favourable a position to establish contacts and maintain their representatives in that territory anything like as effectively as the Canadian Steamships would be able to do. Then there are other reasons that we think might have quite an effect on it. The lake shipping has been a rather specialized type of trade. The grain ships that are used are built specifically for that type of trade and are probably much more economical from the operating standpoint than any other design. That is the reason they were designed in the first place, so that it would appear that they should have some natural advantages.

Q. You have no calculations or statistical information to support that?

A. No.

Q. These are general conclusions?

A. That is right. I do not think there is any source from which we could obtain that kind of information statistically.

Q. Now, you have mentioned the Canadian coastal ship operators and shipbuilders. I take it

you are really talking about the operators in the reasons you give as to the proximity and specialization?

A. Yes, that is true.

Q. Then you go on:

"Certainly it would be unwise to "assume at the present time, that "Canadian ship interests will suffer."

Is that operators or builders again, or have you given thought to that?

A. Well, like so many other situations you meet, they are usually not simple. You cannot reduce them to very simple terms, as there are usually offsetting factors. We believe that there may be some adverse effects on the shipping companies but there will also be some beneficial ones. One may balance out the other, and our general feeling is that until such time as this has been tried and it has been proven that the beneficial results do not keep pace with the adverse results it will be time enough then to start to look for solutions to the problem.

Q. May we separate the two of them. Leave the ship operators out of the way for the moment and take the shipyards, the shipbuilders. Going to page 9 of your brief where you deal specifically with them, I think you make substantially the same submission there that you have just made now, that there may be countervailing advantages. You state two-thirds of the

way down the page:

"Lake yards will be in a position "to seek orders from other coastal "shipping interests and even enter the "field of building for ocean "traffic."

Now, the evidence before the Commission is so far that one shipyard on the Great Lakes has already closed. So far as the Commission has gone in its hearings in relation to the shipyards on the Great Lakes, no shipyard has on hand at the present date any order for the building of any civilian ship. I think that is correct. The Midland Yard has closed, and Collingwood finished its last order in July, I think it was.

THE CHAIRMAN: It is in the water now.

MR. MUNDELL: And the evidence is that the shipyards just have no business at all on order.

A. Is it suggested that this is a result of the threat of the St. Lawrence development?

Q. In part that, yes. In fact it certainly was specifically stated; I beg your pardon.

A. I think I should answer that question probably by coming at it in a slightly different manner. I think there were many industries that were built up under the impact of war, and there were many production programmes started during

war years that had to be either discontinued entirely or substantially curtailed after the war, and I think that it is at least worth a pretty close scrutiny as to what was the basic cause of them being closed down before I go on to accept that it was because of the Seaway.

THE CHAIRMAN: But just look at the situation. The actual Lake Fleet, the sort of fleet that would be built in these yards, is as to more than 50 per cent of it I think 25 years old and upwards. There is coming into being in 1958, at the end of the year, or early in 1959, a waterway which will pretty nearly demand that grain carriers be from 18,000 tons up, instead of much lower tonnages, so that there is every impetus to these ship owners to get ready and build big modern ships such as the five or six which have been built since the war. I think that is a fair number to state, five or six; I think I could name five. However, they are not doing it; they are not putting out a single order. I believe they think that they are going to be helped by the British competition, and that they are going to be able to go over to England and buy their ships for about 55 per cent of the price that they would pay to those Great Lakes shipyards. We heard in Winnipeg very reassuring data from an economist as to the false character of the fears of the Canadian ship owners and shipbuilders as to the competition, but that evidently has not con-

vinced the Canadian ship owner and shipbuilder, or at any rate the ship owners, because they are simply not ordering ships.

A. Well, it occurs to me that there might be an alternative to that. I do not profess to know that there is; I am just suggesting there might be. I suppose the Canadian shipping companies are searching around for the answers the same as a lot of the rest of us, and I suppose they might be adopting a wait-and-see policy to find out what kind of vessels they are going to need to compete in the trade, and also to find out what restrictions or legislation may come out of this to affect them.

Q. Yes, I believe there is some wait-and-see attitude, but firstly as to the competition, I think I should point out that there are several briefs which we have heard here and which we will be hearing in Winnipeg, would seem to imply that there is some proposal to in some way restrict international trade coming into the Great Lakes. Now there is no basis for that whatsoever. Those who were strongest in their demand for restrictions make it very definite that they do not take any exception to any ship coming into the Great Lakes in international trade. So that the Great Lakes' grain trade, even if the restrictions which they propose are enacted, must be faced with three kinds of competition: Firstly, the Pacific Coast, secondly, Hudson Bay and thirdly, international

shipping in the Great Lakes, and they can put that down on their paper now and do their figuring on that basis. Secondly, as to what kind of ships will best do the job, there are a few of them which have been designed in earlier years when the fear of this competition was not so great. I do not mean many years ago; I mean even up to 1953. There is the prototype of the Scott Misener, the Leitch, the Sir James Dunn and the McLagan. Those are boats that the Great Lakes operators know will be most efficient in the grain trade; that is why they were built. Therefore I do not see why they should be held back by that worry either. Now there is this proposal that it is said that English firms are designing boats which can be dual purpose jobs, Great Lakes traders during the season and international tramp steamers during the rest of the year. I think that there is probably nobody much better qualified to tell what kind of competition they will represent than the Great Lakes ship operators, because they have certainly, as you point out, been on the job for a long time and know exactly the requirements of the trade.

MR. MUNDELL: I was really following through on this paragraph of the Canadian Shipyards, and I was going to mention the fact that there are no orders. There is also the fact that it is also admitted I think by all the ship owners and the shipbuilders themselves that you can build a ship for 55 per cent of the cost,

approximately, if you build it in the United Kingdom, as compared with what it would cost you here. I was wondering whether you had anything in the way of contradiction to these, which are more or less statistical and factual matters, -- as to whether you had anything to contradict them, when you make the statement "At the same time the lake yards will be in a position to seek orders from other coastal shipping interests and even enter the field of building for ocean traffic." Have you anything byond an impression or a hope?

A. No. It seemed to us that the Canadian shipbuilding companies, except for any disadvantages they may have by way of high standards of living and wage rates that have to be maintained, have the know-how and the ability to get into the shipbuilding business, but we have no statistical information.

THE CHAIRMAN: I think they would agree with that statement, but they point out the exception.

MR. MUNDELL: They would say that the one thing, price, is enough to put them off.

A. Then there is another factor which I intended to mention and that is that when you mention the percentage of cost of building ships in the United Kingdom as compared with Canada, I believe you would very likely find that if you went to the United Kingdom and wanted to place an order for a sister ship of the Scott Misener for instance, you would probably find you would not get that percentage advantage. That is a

specialized type of ship, which I do not think they are building, but I am not certain of that.

THE CHAIRMAN: It just happened that we mentioned the Scott Misener. We do not know the cost factors on that, but we do know that there has been an application for the plans and specifications of that very ship, so that it

(Continued next page)

may be built in the United Kingdom and brought into the Graat Lakes trade. Somebody must think that they can do it advantageously.

COMMISSIONER WICKWIRE: Or in Holland.

MR. MUNDELL: In addition to that, evidence has been given before the Commission that several Canadian ship owners are having ships built right now in the United Kingdom which could have been built in Canada. You say: "In the light of the uncertainties we would suggest it is unwise to alter existing legislation," and so on. "At least until much more evidence is available that a serious problem exists.", but you have nothing in the way of material to indicate that any of this evidence that is beforethe Commission is false or fallacious?

A. We have no source from which we can find the statistical information to substantiate this paragraph, beyond this, and this is not statistical evidence, but the general impression given to us is that in view of the fact that the St. Lawrence Seaway is still some period away from completion we think it is too early to try and assess the results of this and start immediately to take corrective action which may or may not be necessary in the final analysis, because we do not think it is necessarily a simple equation, but that there may be a number of offsetting factors.

Q. Let me add one piece of additional

evidence, and that is that virtually the same situation exists in the ocean shipyards, the yards that can build ocean-going vessels or ore carriers from Seven Islands up. There are vessels being ordered for those trades now in the United Kingdom, and I think you can certainly number on the fingers of one hand, and maybe on one finger, the vessels that are being built in ocean-going shipyards. I was just wondering how much clearer evidence you want.

THE CHAIRMAN: Apart from Naval or Government construction, and steel scows, I have difficulty in remembering seeing any ship at present on the construction ways in the shipyards.

MR. MUNDELL: There is one at Vickers.

THE CHAIRMAN: We have not seen Vickers yet.

MR. MUNDELL: No, I beg your pardon.

A. In reply to that, if you re-check the brief we have not said that there should be no consideration. What we have said is that we think there should be the fullest investigation and there should be complete evidence -- not what somebody thinks is going to happen but evidence to prove that somebody is being hurt -- before corrective action is taken.

THE CHAIRMAN: Evidence that something has happened. Now, you represent the farmers, and a wise farmer does not go out and upon finding the empty barn then close the barn door,

does he? What we are hearing from the ship owning and ship operating interests is: "If you drive us to the wall we have gone, and our shipyard personnel has gone, because you cannot expect a shipwright to sit waiting for six or eight months until some Government policy is formed so that he can go back to building ships. The skills are now being dispersed." Take the Town of Midland, for instance, a town I know pretty well, and I remember watching a staff of 12 in the Midland Shipyard. Other industries, looking for places to establish where there is a labour force, have come into Midland. There are three I could name off-hand. The shipyard workers are there. Are they going to be attracted back on the possibility that ship work will continue, or will they have to do the intermittent job of the type that they have done for years? If they have a steady job they are not going to be concerned with that. The shipyard people say: "We are losing the skills that are only attained through long practice, and we will have a terrific task trying to replace those people in a national emergency." Also the shipyards are necessary for repair work, particularly on the Great Lakes, but they cannot live on repair work, they say. They say: "If we do not get the new ship construction we are not going to stay in business for repair work, because we cannot pay our way in that fashion." Then all shipping in the Great Lakes will suffer,

whether it be United Kingdom, Canadian or anything else, if the repair facilities go down. That is the sort of problem that is put up to us by the two interests, the shipping and the shipbuilding industries in the Great Lakes.

MR. MUNDELL: I should also point out, Mr. Chairman, that I do not know that the Commission has much option to let the matter stand, since you are asked to make recommendations on the matter as it now exists.

THE CHAIRMAN: Yes.

MR. MUNDELL: So that the suggestion is a rather difficult suggestion or recommendation to put forward to the Commission, that they just let the matter ride for the moment. That is just in passing.

Q. Then you cannot, beyond what is stated in the brief, give anything further in the way of information on shipbuilding prices?

A. No, unless I might probably re-state one point. I think I probably mentioned this before: The St. Lawrence Development was undertaken, I believe in the words of some of our public men -- I believe the Prime Minister himself made the statement -- in the national interest, and rightly or wrongly we feel that anything that is undertaken in the national interest usually has beneficial results that do not necessarily go back in equal portion to everybody, but usually all sections of the country

benefit, and as a result of the stimulation of trade that may come, certainly there will be some favourable benefits, the economic level of the country may be raised and these shipbuilding companies should possibly be in line to benefit by some of it.

THE CHAIRMAN: Just how? I realize that sentiment, and it sounds all right, but if a British ship owner, a United Kingdom ship owner, can come in, and by virtue of very much lower capital cost investment in the ship and very much lower operational costs carry on at a much lower price and get the grain carriage buisness, then should there be an increase in economic activity and prosperity he will be able to take advantage of that in the same way that he took advantage in the first place. Therefore, I cannot see that the increased prosperity would ever become available to the shipping interests, because the shipping interests are under what they say -- and I am presuming for a moment their argument -- is a continuing burden of higher costs of construction and higher costs of operation, which will not a bit decrease with the increased prosperity in Canada, because increased prosperity means even higher wage levels and therefore an even great differential between United Kingdom shipbuilding and United Kingdom ship operating, and Canadian shipbuilding and Canadian ship operating. Now, I asked a witness this morning about this question of availability, and I think that is a very, very strong and important factor --

not on the basis of war emergency at all but, again according to the argument of the shipping interests, they will be driven from the Great Lakes by the United Kingdom competition. Now that competition, unless it is by specially designed lakers which come over here, if they can find a week on the ocean calm enough to get across, is the competition of ocean-going tramps. They go where freight rates call. Graphs were submitted to show that ocean freight rates vary most tremendously, both from time to time and from area to area. What is going to happen to the Saskatchewan wheat and to the other great grain shippers if, when their grain is at the Head of the Lakes with it already sold and able to go to the Continent, the ships that should carry it are running between South Africa and Australia because there happens to be a particularly high freight rate in effect in that month there?

A. Well, if shipping gets down to the low ebb where there would be no ships on the Great Lakes because there was a momentary demand in some area, then I think we would be under-built. However, I take it that this is a hypothetical case.

Q. It is a hypothetical case, but I would point out to you that it is based on a graph showing the variation in rates.

A. You could bring it even closer home than that. We not infrequently have instances

now -- not under present conditions, but within recent times -- where we have had conditions right on our own Lakes where the bulk of the ships were in the ore business, and you could not move grain if you wanted to.

Q. Exactly; and how did they get back?

A. They got back because there are two things that affect it: One is that there are certain periods when they get a demand for ore to fill a certain need, and when they get that need satisfied then the ships start looking somewhere else for trade. The other thing of course is what you have always got, the instrument of changing freight rates.

Q. And a third thing, the Transport Controller who tells them to get up to Port Arthur and take a load of grain?

A. Yes.

Q. But that Transport Controller could not tell the United Kingdom ships to do that?

A. Quite, I agree. There is another factor which I think is worth considering. It occurred to me when you were outlining some of the difficulties, and I would point out that some of the very difficulties you referred to are also experienced by the Saskatchewan farmers. If, as a result of any factors, -- and we will not bother to define them -- the cost of moving grain from Canadian ports is increased, it could be the determining factor that would

send business from Canada to the Argentine, to Australia, to the United States, and to some other places, and the effect of that is also going to be detrimental to Canada as a whole, and indirectly even to Canadian Steamships.

Q. Not indirectly, if there is no grain to carry. If no grain can be sold, they cannot carry it?

A. That is right.

Q. You mentioned if the cost of carriage increases for any reason. I think I have said before today -- I do not know whether you were here -- that the shipping interests have made the flat statement to this Commission that with the completion of the St. Lawrence Canals, even presuming a restriction of the coasting trade to Canadian-owned and Canadian-built ships, there will be a considerable reduction in the cost of carrying grain. Now they have not set any figures and I do not know of any figures that were ever used except those that were used by Mr. Chevrier in his speech, but they have said this is not a question of whether there will be an increase; it is a question of whether there will be a decrease which might be sufficient to wipe us out of business. I am sorry I interrupted you, Mr. Mundell.

MR. MUNDELL: There was one further point I was going to turn to on the question of shipbuilding before going over to ship operation, and

I will take you back to that now if I may. On page 11 of your brief you concede that the shipbuilding industry is of vital importance for national defence and state that in that case it should be dealt with then by the Government of Canada as a defence undertaking. Precisely what did you have in mind?

A. Well, we recognize that we have got to have certain industries available to us in time of emergency. That is accepted I think by almost everybody, and shipbuilding can be a very important part of the defence programme. All we were trying to say in this is that we do not quarrel with that statement, we accept it; we say that the shipbuilding industry is an important one and it must be maintained on some level of efficiency, but we do not attempt to say where, for the simple reason that we do not profess to know, but we do think that if it is being done in the name of national defence then it must be borne by all the people of Canada and not some segment of the people of Canada.

Q. That is by subsidy, I take it?

A. Well, there may be other ways. I do not profess to know. Subsidy may be one method but there may be half a dozen others, but the only thing is I am saying it is a national responsibility.

Q. I was wondering why you would object

to restrictions as a method of doing it in view of the statement you make on page 7 in regard to a problem of this kind, and you refer to restriction of competition: "Restriction of competition would result in higher water freight charges with an adverse effect on a large part of the Canadian economy.". In the next sentence you say: "increased transportation costs on the vast majority of Canadian producers". Is not there some advantage in a form of protection that leaves competition alive, requires no administration and does not involve the expenditure of public funds?

A. I think that would depend on who paid the shot.

Q. Have not you pretty well spread the shot over the nation in either case?

A. To the extent that you succeed in doing it it might be acceptable, but I am saying that I doubt if you could do it to cover everybody. I do not think you can do it in any other way except by action of the Government. There might be some other way, but I do not know of any.

Q. You feel that restriction is discriminatory?

A. I think there is grave danger that it would be. However, somebody might work out a plan which might not be.

Q. You feel it would be discriminatory on the Western producers?

A. Yes, I think it would be.

Q. We have heard this morning that it will hit the Canadian producer; that is the man who will be hit. Now, you suggest he may not be, and I was wondering how?

A. Of course, there are a number of ways in which the Western producer can be hit. In the first place we are dependent, as our brief points out, in large measure on the export market to dispose of our wheat. I mentioned a few moments ago that any action which has the effect of increasing the price of Canadian wheat laid down in the markets of the world, whether it is the United Kingdom, Denmark, Holland or wherever it may be, if that price is moved upward as a result of any action that is taken irrespective of what it is, it immediately becomes one of the competitive factors in the world market for wheat. If, as a result of anything that is done, the price of Canadian wheat goes up in relation to the price of Argentine, Australian or United States wheat, we may lose that business, and if it does, we lose, Canada suffers and everybody suffers.

Q. And if it does not go up then you want to push the transportation costs back down?

A. If we can get them down it gives us an advantage in the markets of the world.

Q. But you say that if the price of Canadian wheat goes up, you get pushed out of the world market, and if the transportation costs go up, that comes out of the pocket of the producer?

A. I wonder if you would mind re-stating

that question.

Q. Let me put it in this way: You say if costs go up the price of Canadian wheat will go up. I suggest to you that is not correct. I suggest to you that if costs go up the price of Canadian wheat will be fixed competitively in the world market, if you want to sell it. Consequently the increased costs will come out of the same price and will come out of the producers pocket. Have I made myself clear?

A. I think I understand you now, yes, but I am not too sure that the way in which you have described it is 100 per centcorrect.

Q. I would be glad if you would tell me where I am wrong?

A. When a bushel of grain is delivered to a country elevator, settlement for that grain is made on the spot, with the deduction of the freight and handling charges.

Q. That is as far as the producer is concerned?

A. That is the producers. Now, that grain is moved down to the Head of the Lakes and when it is delivered to the terminal and warehouse receipts are obtained, that grain then belongs to the Canadian Wheat Board. There is an item of cost in handling the grain at the terminal, and when that grain is moved on to a boat the price of that wheat which is offered on the markets of the world includes the cost of

moving that grain to wherever it is going.

Q. Take Liverpool for instance?

A. Liverpool would be okay. If the cost of moving that grain from the head of the Lakes to Liverpool is increased or decreased by anything that is done in shipping costs it will directly influence the price at which that grain can be sold in Liverpool.

Q. Now wait a minute. Is the price a sum plus transportation costs, or is it a sum?

A. Well, the Canadian Wheat Board makes the sale.

Q. What is the price, say, for Liverpool? I do not mean an actual price, but is it a lump sum for delivery in Liverpool?

A. They quote a price in Liverpool, so much per bushel.

Q. If the transportation costs go up and the price is maintained at the same level, the Canadian Wheat Board gets less net, is that right?

A. Yes. That is assuming they can sell it. They may not be able to sell it, if the price goes too high.

Q. On the other hand they will have to take a lower price to sell it?

A. Yes, and then the farmer loses.

Q. I was wondering why you had not been making this point?

A. I thought I had.

Q. You have put up two alternatives.

That is why you say the farmer would be discriminated against?

A. Yes, he would lose by it.

Q. And therefore you would go to a subsidy programme which you say would be fairer for defence purposes?

A. I did not exactly say that. What I said was that the Government of Canada, if it is done in the name of national defence, should do it in such a manner that all the people of Canada would bear the cost. You say subsidy, but I am not saying whether it should be by subsidy or not.

Q. I thought you had spread the restriction so widely here that restriction would come within that definition?

THE CHAIRMAN: Twice you have hinted at this. What other solution, other than subsidy, could there be?

A. I do not profess to know, Mr. Chairman. That is the only thing I am saying. I just do not know if that is the only one or not.

Q. Well, there was another one mentioned, a Government-owned Merchant Marine. I suppose that is within the realm of possibility?

MR. MUNDELL: Q. Then let us come to the other argument, which the Chairman mentioned, in favour of retaining ship operators and a Canadian shipping fleet. I think you agreed with the Chairman that it might be an essential link in our transportation system which we should keep

instead of going over entirely to foreign bottoms?

A. I think I could say that there is no group of individuals who are more dependent on rail transportation and water transportation to get their products on the market than the farmers of Saskatchewan.

Q. Then would you agree that we should have a Canadian lake fleet?

A. I am saying that we always have to have ships.

Q. Could you answer that question Yes or No? Should we or should we not have a Canadian lake fleet?

A. I think it is desirable to have a Canadian lake fleet, yes, but that does not mean necessarily at any cost. There might be a point at which we could not support such a thing at all.

Q. We are still talking now of competing, with a Canadian lake fleet, in the world market?

A. Generally speaking I would say it is desirable.

Q. Then if it is desirable, and it is not beyond the realms of practicability, would it not be fairer to say that that Canadian lake fleet would be maintained principally to protect the interests of the Western producers?

A. No, I do not think so.

Q. Why not?

A. I think that is over-simplification.

Q. Why?

A. I think there are so many industries which depend on the lake fleet; certainly there is the ore trade and the heavy industries.

Q. I am sorry. Let me broaden my question. Is not it fairer to say it is being maintained primarily for the benefit of all those who use the Canadian lake fleet?

A. Yes, plus the benefit of the steamship companies as well of course.

Q. Would it not be fair to take up the cost of maintaining it by additional charges to those who would primarily benefit, in other words protection?

A. I do not think you could narrow it down to that point so as to put your finger on who does benefit by it.

Q. You are prepared to narrow the discrimination down, and now I am suggesting that we narrow the benefits down?

A. I do not think I narrowed the discrimination too much. I may have put the emphasis in different places.

Q. Anyway, you are not prepared to go along with the proposition that you would think it would be fair, if the Canadian lake fleet is to be maintained for those people who use it, that they should pay the cost of maintaining it?

A. The people who use it always pay.

Q. Well, we are talking about this, that if foreign competition comes in the

Canadian fleet would disappear. If that is assumed, and to maintain it it has to be protected. Now, if the protection costs are more for the people who use it, are they not the ones who should pay for it rather than taking it out of the national treasury?

A. I would say that it would depend entirely on how you were protecting it. If you were protecting it for the interests of the user, yes. If you are protecting it in the national interest, no. Then it should be spread over the entire economy.

Q. I am suggesting to you that it would be maintained primarily or especially for the user?

A. Yes, but you are overlooking the fact as far as the Western farmer is concerned, he may get other ships to carry his products just as efficiently and just as well as long as you overlook a national emergency.

Q. I am not talking for the moment about defence. I am just saying the Western farmer would be at the will or whim of the world shipping market if we have no Canadian fleet and it might happen some fall there would be no shipping for the Lake because---

A. That is right.

Q. To maintain an essential link in our whole transportation system by having boats to carry it so would it not be fair to charge those two, the farmer or shipper , for it or something

for that protection and nobody else?

A. Well, I think the answer to that question hinges on the word "protection". I do not think you are buying protection. I think we are buying service. It is absolutely essential for us to have that service. If we do not get it from one source we certainly would have to look elsewhere for it. We have to have it so that I think while you are suggesting that we might face a situation where the rate structures in other parts of the world would take our ships away from us, my only answer as to that was that it looks to me as if an adjustment of the rate structure is what you need to bring them back, so I cannot hardly deal with that kind of hypothetical question. It does not seem to me to be realistic.

Q. Short of an emergency, that is, I suppose, where they could get very much higher rates on the world markets?

A. Yes, they do because of the fluctuation. They are very much wider.

Q. On page 8 of your brief you mention the movement of incoming consumer goods. Do you have any figures of up-lake consumer goods into Saskatchewan?

A. Not with me here, I have not.

Q. On page 10 you deal with what can be called the dollar argument. Have you any figures on the significance of what the dollar earnings of the U. K. out of the coasting shipping

should be or as to the amount which might be earned?

A. No, I am sorry, I have not.

Q. I am bound to ask this question. I am not sure I will get any answer. You mention in your brief here you are opposed to restriction. You mention British and foreign shipping interests in the coasting trade.

THE CHAIRMAN: On page 13, paragraphs 6 and 7.

Q. Actually foreign vessels are not now allowed to compete in the coasting trade so that that may be dropped. That is just a slip, I take it?

A. Yes.

THE CHAIRMAN: Q. Is it or do you intend that the Canadian Shipping Act should be amended not to restrict but to open it up?

A. No. My understanding was under the present Section 13 of the Act foreign ships are already restricted but British ships are allowed in.

Q. British and Commonwealth vessels?

A. Yes, what I am suggesting is that there be no further restrictions at the present time.

MR. MUNDELL: Q. There is this point in your recommendation No. 7. You say "British and foreign shipping interests should be encouraged to operate in the Canadian trade." You do not mean to throw it open. You are standing on the

status quo?

A. The same thing would apply there. We are not recommending any changes in so far as foreign ships are concerned.

Q. Just the status quo?

A. Yes.

COMMISSIONER WICKWIRE: Q. You are using "foreign" in the sense of Commonwaalth?

A. Actaully, there is an angle there. There is such a thing as ships, British ships, at least ships of British registry which are manufactured in foreign countries. We understood that there is some considerable restriction---

Q. 25 per cent duty?

A. Yes. Also I believe there is some restriction owing to the fact they are meant, in so far as coasting trade is concerned, to be basically British. That is what we were referring to.

MR. MUNDELL: Q. One final point in connection with your recommendation on page 12, No. 5. It says "The Saskatchewan Wheat Pool believes that the ultimate effect of the St. Lawrence Seaway Development on the Canadian lake shipping and shipbuilding industries cannot be determined until the development is completed and in use."

Are you talking from the long return or the short return?

A. I am talking from the long return.

I will clarify that slightly. We have this afternoon considered some of the effects that have, as suggested, already occurred in the shipbuilding industry but we believe that there will be a shot in the arm, if you like, as a result of this development which will be beneficial to the whole of the country and that if you at this stage attempted to assess the adverse effects, you would also have to attempt to assess the beneficial effects. It would be possible, in my opinion, to arrive at an unsatisfactory decision.

THE CHAIRMAN: Q. I agree with you about that difficulty. But we are charged with the difficulty of assessing this matter of clarifying both the adverse and beneficial effects.

A. Of course, also in the opinion of the people of Canada the beneficial effects were enormous or else they would not have ventured an expenditure of, I think, two hundred and fifty million dollars.

MR. MUNDELL: Q. I was wondering whether we may attempt to assess the effect if 75 per cent of the shipyards of the Canadian shipbuilding on the Great Lakes were to go to the wall, or would go to the wall when the Seaway comes into operation, should we wait till that happens before taking steps to protect it?

A. I think that is again something that I cannot conceive because---

Q. You have no evidence to the contrary,

though?

A. Well, I can follow the argument in so far as the shipbuilding yards is concerned but I cannot believe that an operation of an existing fleet can possibly be so adversely affected it would go to the wall altogether in a very short time. I can agree that over the long period of time they may get into the shipyard building---

Q. Why?

A. Because of their long association in the business, because of the advantages they have, because of the fact that they are right in the territory. Their hulls were built for a specific trade. They should be -- if they are not, they should be very efficient operators so that while I can agree it may have some adverse effects, I do not see how it would have the effect that they need go to the wall in a short period of time.

Q. Have you or your organization ever come into possession of any information that would lead you to believe there is any combine or Conference among the shipping interests on the Great Lakes, except since 1922?

A. Any such evidence we have, certainly.

Q. Of recent years?

A. I do not think we have any evidence on that.

MR. MUNDELL: I think that is all I have to ask you.

THE CHAIRMAN: Q. On the point as to the

operators' circumstances, if you look at Brief 28 at page 22, there are comparisons made of a Canadian ocean vessel, a United Kingdom ocean vessel and a Canadian lake vessel and the cost of operation of the United Kingdom ocean vessel is a daily operating cost of $543.50 as against $816.00 for Canadian ocean vessels and $851.00 for a Canadian Lake vessel. That would be the situation which the ship operators say they would be meeting the minute they widen these canals in the St. Lawrence River.

A. I am sorry, Mr. Chairman, I had some time finding this. Would you mind re-stating your question?

Q. Do you see the table there?

A. I think I have a list of it.

Q. Page 22, just quoting the table.

A. Yes.

Q. How long would the Canadian operator be able to work under those conditions? You say there would not be any direct effect. It would not take a very long time trying to earn $851.00 as against only $543.00 to make it seriously the subject of detrimental effects?

A. Well, of course, I would not attempt to argue that point. I mean I recognize that---

Q. That is what I thought you said.

A. Well, I think I am still prepared to argue one phase of it. I recognize these differences here in the United Kingdom particularly and lake vessels but again I do believe that there

are some -- there may be some compensating factors even in this. I am of the opinion that once again we come back to this question of the Canadian steamships being right on the territory. I believe it has some beneficial results.

Q. You say in short the extra efficiency of the Canadian laker operated by the Canadian companies might go far, at any rate, to overcome the difference between $543.50 and $851.00?

A. Well, no. I would not say that. What I think would probably be a factor is this, would be the question as to whether comparable vessels are there to get into the trade. That is are there any United Kingdom vessels built for this lake trade that would be able to compete? I do not mean on the freight rate structure. I am suggesting there is probably a considerable difference between the type of vessels that they use on the Lakes and therefore, the net loss or the net difference as shown in those figures may not be as extreme as appears.

Q. It is not net differences at all. There is no question of profit or loss here.

A. I mean just between the two.

Q. Certainly I think these figures may be taken as pretty sound, that the $543.00 expenditure may not earn nearly the revenue that the $851.00 expenditure does because, as you point out you are dealing in the case of the $851.00 with a specially designed ship of a special type that has

been tested, tried and proven on that job?

A. That is right.

Q. It has been suggested, I think in Winnipeg, that the United Kingdom people cannot, despite their tremendous wage advantage in operation, beat out the Canadian laker because the Canadian laker is of such special design. Also there is a great question, which has not yet been determined, about which we will hear evidence later, as to whether a Canadian laker can be built in Great Britain and brought across and operated then under Canadian registry or under United Kingdom registry. Then you would have a fourth column, one would call it the United Kingdom Lake Vessels, and it would be interesting to see how these factors would turn out as it would have to be determined whether there ever could be such a thing. There has been very controversial evidence on that point.

Have you any questions, Mr. Wright?

MR. WRIGHT: No questions, Mr. Chairman.

THE CHAIRMAN: Is there further examination?

I find myself particularly indebted to Mr. Stevens. He has given us a great deal of very carefully thought out and valuable information this afternoon.

If there are no further representations to be made, may I thank all those who have filed briefs and have come here to support them. I realize that the task set for this Commission is very far from an easy one. All I can say is

we will take what you and others have told us into consideration and do our best.

MR. WRIGHT: May I speak to the Winnipeg hearing tomorrow?

THE CHAIRMAN: Yes.

MR. WRIGHT: Will that be commencing at ten o'clock?

THE CHAIRMAN: We hope so, yes.

MR. WRIGHT: Well, I am particularly interested in the Chamber of Commerce brief. We will not be travelling by air. Our train does not get in until nine-forty. I just thought I would mention that in case we were a few minutes late. I wondered possibly if you could take one of the other briefs first?

THE CHAIRMAN: We will try to protect you on that by taking some of the others first.

MR. WRIGHT: Thank you, Mr. Chairman.

---The hearing adjourned at 4:20 p.m.

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ROYAL COMMISSION ON COASTING TRADE.

Hearing held at Winnipeg, Manitoba, on Thursday, September 8, 1955, commencing at 10.00 A.M.

PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice W.F. Spence.

Mr. W.N. Wickwire, Q.C.)
) Commissioners
Mr. M. Belanger, C.A.)

Mr. D.W. Mundell, Q.C.)
) Commission Counsel
Mr. Paul Gerin-Lajoie)

Mr. H. Kemp - Economic Adviser to the Commission

---Mr. G.G. McLeod - Secretary

---Mr. P. Cimon - Ass't. Secretary

THE CHAIRMAN: Mr. Lajoie, we had better continue where we left off, and I believe the first brief is that of the Winnipeg Chamber of Commerce.

MR. GERIN-LAJOIE: Mr. Chairman, with your permission I should like to mention the presence of the Premier here in this room today, who honours your Commission with his presence.

THE CHAIRMAN: The Premier has been very kind indeed to the Commission and has insisted that we use his private office for our conference room. I do not think it is appropriate to say

publicly how much we appreciate it, but I have told the Premier privately.

THE HON. D.L. CAMPBELL: It is a pleasure, Mr. Chairman.

MR. GERIN-LAJOIE: Mr. Chairman, the first submission is by the Winnipeg Chamber of Commerce.

SUBMISSION OF THE WINNIPEG CHAMBER OF COMMERCE

Mr. Evan McCormick, appearing.

MR. GERIN-LAJOIE: Q. Mc. McCormick, would you give your initials?

A. Evan McCormick.

Q. Would you mention your position?

A. I am the Executive Director of the Winnipeg Chamber of Commerce.

Mr. Chairman, we submitted in advance an outline of points so that we do not propose to cover the whole submission here; that has been reproduced already in the briefs of the Commission. However, we do have some amplification of two of the points. A copy of what I am going to say is in front of the Commissioners if they would like to follow it.

The points we particularly wanted to emphasize today were points 6 and 7 in the submission. Point 6 reads as follows:

"However, while this Chamber desires "the spur of competition to ensure the pro- "vision of lower rather than higher rates, "recognition must be given to the facts

"that:

"(a) Low rates without continuity of ade-
"quate service would be detrimental to the
"Canadian economy; and

"(b) A vigorous Lake fleet is our best
"assurance of continuous service."

We believe it is obvious that the Lake carriers will be faced with competition on the St. Lawrence-Great Lakes System, once the Seaway has been completed. At the present time this prospective competition is restricted to vessels built and registered in the United Kingdom, insofar as the coasting trade of Canada is concerned; and ships of all flags with respect to the international trade taking place between Canada and other countries.

We understand that at the present time, ships of any nation are free to load cargo at any Canadian port for any foreign destination. This is international trade and we believe that it is right that there should be no thought given to any action which might impinge on this essential freedom of international trade.

International trade is beyond the scope of the specific terms of reference of your Commission, but it has a bearing on the effects of the Seaway, and should properly enter into your consideration While completion of the Seaway will remove the physical obstacles, there will remain, at least for the foreseeable future, several formidable economic barriers to the development of inter-

national trade to and from the Lakehead.

Mr. W.J. Fisher, General Manager, Canadian Shipowners' Association, when speaking before the Canadian Manufacturers' Association in Montreal in June of this year, said:

"Unless there are some radical changes in "the design of ocean-going bulk freighters, "it seems evident that such vessels will be "limited by the 27-ft. draught of the sea-"way, to a carrying capacity of about 8,500 "tons of cargo. In view of this, I cannot "escept the conclusion that the present large "lake-type carrier with a carrying capacity "of something like 20,000 tons or more on a "draught of 25 ft. is in an unassailable "competitive position despite the higher "costs of Canadian-flag operation. In my "opinion they should be more than able to "hold their own in the bulk-carrying field "of grain, ore, coal, pulp and pulpwood, "which according to the best estimates I "can find will represent over 80% of the "total potential traffic on the new sea-"way."

Western Canada provides only a limited market for inbound international cargoes. Of 85 foreign ships making some 300 voyages into the Great Lakes this year, we know of none planning to call at the Canadian Lakehead. This, coupled with the evidence of Mr. Fisher, and the realization that

the only outbound movement of any volume of traffic moves in bulk freighters, would indicate that most ocean carriers will prefer to leave the Lake traffic to the Lake fleet, and concentrate on the ocean haul from the lower St. Lawrence ports to foreign countries.

In support of this argument, we would point out that Prof. J.L. McDougall of Queen's University has already testified before this Commission (page 363 of the transcript) that the ton mile rate for carrying grain from the Lakehead to Georgian Bay ports is .178 cents, as compared with .211 cents per ton mile from the St. Lawrence to United Kingdom ports.

Present Lake rates include loading and unloading charges, which now can be averaged over only a relatively short haul. With the completion of the Seaway, the longer haul will allow the averaging of the loading and unloading charges over a greater distance, which will make possible an even lower ton mile rate, or an enhanced profit for the Canadian Lake operator.

It has been stated that the costs of constructing and operating a Canadian Lake freighter are very much higher than those of a United Kingdom ocean freighter. While this in itself may be true, it is an improper comparison unless the respective carrying capacities are also related in such a way as to bring out the only properly comparable figure, that is cost per ton mile.

In the package freight field, there would appear to be definite advantages in favour of the

Canadian operators. The vessels presently used in this trade are especially designed with side doors to facilitate speedy loading and unloading by means of fork-lift trucks and pallet loads. In contrast, the ocean-going type of vessel must still use the slow and cumbersome method of loading by slings and cranes, a factor which places them in a poor competitive position. Competition in the package freight field is not limited to competition among shipping firms and ship types, but also embraces competition with the railroads and trucks on the basis of service and speed of delivery.

We believe that healthy competition among ship operators is most likely to provide the incentives needed to promote efficient service, economy in operation and the lowest possible costs.

To enter into larger problems, it is obvious that with approximately one-third of every dollar of Canadian income arising from export trade, attention must be given to the possible effects upon that export trade. With the publicity released recently on the present state of U.K. dollar balances, we can only conclude that a restriction of the opportunities for the United Kingdom to earn Canadian dollars would result in a corresponding lessening of Britain's purchases in Canada.

We find ourselves in disagreement with any proposal that one area of the Canadian coasting trade be treated differently from any other area or areas. We contend that Canadian and Common-

wealth ships engaged in coasting trade should have equal opportunity for competing in all areas of Canada.

If I may interpolate a comment, Mr. Chairman, we believe that each area should have the benefits of lower rates and better service resulting from such competition. To do otherwise would discriminate unfairly against those areas denied these advantages.

As we have previously pointed out, export trade is of the greatest importance to Canada. It is obvious that any measure which results in transportation costs being any higher than absolutely necessary could have a serious effect on Canada' exports. In entering foreign markets, Canadian producers are up against vigorous competition, and because of our geographic position the cost of transporting our products to the world market is one of the important factors in the competitive picture today. Any measure which results in higher transportation costs could well have the effect of destroying a large segment of the export trade. At the same time, a reduction in transportation costs might very well assist in the recapture of markets lost because of inability to compete pricewise, and also in the ability to penetrate new markets.

Try as we may we have not been able to find any basic reason for this Seaway project, other than to lower the costs of transportation between the Upper Lakes and the lower river ports. The

expense of this project is apparently to be borne by the whole economy, and we believe that care must be taken to ensure that the benefits accrue to the whole economy rather than to any minority group having special interests. Development of the Seaway can and should bring benefits to the whole of Canada, and we believe these benefits can best be secured through lower transportation costs.

Then on point 7, which reads as follows:

"The Winnipeg Chamber of Commerce be-
"lieves that maximum rates established by
"Governmental regulatory bodies in any field
"of transport should be based only on the
"costs and requirements of that particular
"form of transport and we therefore strongly
"recommend that any schedule of maximum water
"rates should not be forced to bear any fixed
"relationship to the costs and requirements
"of railways or highway transport operators",

we say this: Over the years this Chamber has watched with grave concern the efforts to eliminate the competition provided by the low rates of package freighters on the Great Lakes - St. Lawrence System. From their original position as independent operators whose low rates forced reductions in all-rail rates, there has been a gradual transition to their present status in which, so far as rates are concerned, package freighters have become mere appendages of the railway system.

I think it is probably necessary to trace

the history of the development of those rates. It should be recalled that the C.P.R. first started operations in Western Canada and then later extended its activities into Eastern Canada, where it came face to face with competition from Lake steamers carrying package freight from St. Lawrence and Lower Lake ports to the Lakehead. To meet this competition, several devices were attempted and these finally resulted in the so-called "Basing Arbitrary". By this device, all-rail shipments to Western Canada from the triangle based roughly on Sudbury, Quebec and Windsor were charged the same flat rate to the Lakehead and then a mileage scale from there to their destination.

To determine this flat rate or "Basing Arbitrary", mileage from certain key points in the territory were averaged and the rate was then set at half of that average. In other words, in order to meet the competition of the water carriers where it existed the railways had to practically cut their normal rates in half.

This "Basing Arbitrary" did not drop all-rail rates to the level of water rates. The railways realized that because of speedier service, the avoidance of transshipment of goods and the consequent lessening of the risk of loss and damage, they could charge a slightly higher rate than water carriers and still meet the competition. The amount by which all-rail rates exceeded water rates was called the "differential".

Here it should be pointed out that the level of the "Basing Arbitrary" indicated the extent to which the railways decided to meet the competition of the water carriers. The differential indicated the extent to which the railways decided NOT to meet that competition.

ENCROACHMENT ON THE FREEDOM OF WATER CARRIERS

Having been forced to reduce rates to meet water competition, the railways were not long in developing plans to circumscribe and limit the extent of this competition. This is a not uncommon practice in transportation and there have been many cases where competition has been met, not by cutting rates but by persuading competitors to increase theirs.

As early as 1896 The Winnipeg Board of Trade, as this Chamber was then known, was opposing the cosy arrangement by which the C.P.R. representatives sat down with representatives of some of the Lake carriers to discuss rates. Those who agreed to the "conference" rates were granted through Bills of Lading and special rates and others were "out in the cold" so far as the Railway was concerned.

This is the kind of practice which in any industry other than transportation, would today bring investigation and condemnation by the Combines Investigator. As a matter of fact, in the field of ocean shipping, the Board of Transport Commissioners has fairly recently ruled that adherence to "conference" rates cannot be made a necessary condition for the granting of through Bills of

Lading and the railways have been ordered to extend that privilege to the rate-cutting Irish Steamships, Limited.

In 1917, legislation was introduced in the House of Commons which would have had the effect of placing the control of Lake shipping under the then Board of Railway Commissioners. At that time, The Winnipeg Board of Trade protested by telegram in the following terms:

"Proposed legislation place all water carriers "plying between Canadian ports under juris- "diction of the Railway Commission in the "matter of rates is measure so detrimental to "interests of this country that Winnipeg "Board of Trade desires to protest most em- "phatically against it. To us it looks as "though Parliament would say to shippers: "'There shall be no competition in rates for "evermore'. Please have this bill killed at "the earliest possible moment."

Many other protests were received and the proposal was dropped.

However, in 1938 the centralizers had their way, and, in the Transport Act passed that year, control of water rates for package freight in the St. Lawrence - Great Lakes System was given to the Board of Transport Commissioners.

RECENT INCREASES IN RATES.

The old pattern remained unchanged until the post-war round of rate increases started in 1948.

During that series of increases, rail rates were practically doubled. The railways were forced in the public interest, and at great trouble and expense, to prove the need for every cent of increase allowed to them. As rail rates rose, the Board of Transport Commissioners maintained the customary differentials, thus pulling up water rates by identical amounts. Realizing that the water carriers started from a lower base but received identical increases, it will be seen that they actually obtained a greater percentage increase than was granted to the railways in spite of the fact that no water carrier was called on to produce evidence that any increase was needed or justified. Some of this increase, at least, we believe to have been gratuitous.

In March of this year, the so-called "Equalization" judgment came into effect. One of its provisions was to wipe out the old "Basing Arbitrary" which was replaced with a system of a Basing Mileage from approximately the same territory to the Lakehead. To this is added the mileage beyond Fort William or Armstrong to the destination and the rate is then computed on the total mileage.

However, there is this difference: in place of the rate for <u>half</u> the average mileage, the full mileage from Toronto is now used. Water rates again rose right along with rail rates. This is one good example of competition being met by raising the competitor's rates.

In effect the Board of Transport Commission-

ers has nailed the floor to the ceiling and then pushed the ceiling through the roof, with the floor going right along with it.

We can see only one reason for this procession of events - - - an effort to protect the revenue position of the railways by making certain that water rates rose right along with rail rates - - - rather than permitting free competition and determining water rates on the basis of the needs and requirements of the water carriers.

This has produced several anomalies in the rate structure, a few of which are listed below:

(a) The Equalization Judgment was expressly designed to adjust rail rates within Canada without providing any increase or decrease in rail revenues. One of its effects has been to lower the rail rate between Fort William and Winnipeg. However, a shipment moving by water from Montreal to Fort William and thence by rail to Winnipeg now takes a higher rate in spite of the decrease in rate over the distance which the shipment actually moves by rail. It should be borne in mind that the railways, by the terms of the judgment, presumably have been compensated elsewhere in their scale for the loss on the Fort William to Winnipeg section, so that this increase is, in effect, a double burden on the shipping public.

(b) The new rate scale provides for a

tapering of rates so that a slightly lower ton-mile rate is charged on longer hauls. This, coupled with the application of the differential, means that if identical shipments are loaded in Montreal, one for Winnipeg, and one, say, for Edmonton, and they travel at the same time, in the same ship and under the same conditions, the water factor in the through rate will be less for the Edmonton shipment than for the one to Winnipeg.

(c) Calgary is closer to Fort William than is Edmonton but on identical shipments moving from Eastern Canada, by water to the Lakehead and thence by rail, the Calgary rate will be higher than the Edmonton rate, because Edmonton is closer on an "all-rail" basis, using the basing mileage to Armstrong and the actual mileage beyond, even though the shipment travels by a completely different route to that on which the Edmonton rate is based.

Because it appears to us that the Board of Transport Commissioners has shown in these instances that it is much more interested in protecting the revenue position of the railways than in protecting the interests of the users and payers of package freight on the Great Lakes - St. Lawrence System, we strongly urge your Commission give serious consideration to recommending that control of rates on package freight in all coasting trade be vested in the Maritime Commission, if such regulation is

necessary.

With the impending new transportation developments which should follow the completion of the Seaway, we suggest that the arguments used by the Hon. C.D. Howe in establishing the Air Transport Board to take over control of all air transport from the Board of Transport Commissioners are today equally applicable to the field of water transportation. Speaking in the House of Commons on April 20, 1944 (Hansard, page 2191), Mr. Howe said:

> "It is believed that air transport should de-
> "velop free from railroad traditions, shipping
> "traditions or the traditions of any other
> "form of surface transport. It is a different
> "form of transportation; it requires a differ-
> "ent type of salesmanship and a different
> "method of operation, and we believe it is
> "good business at this time to make it an in-
> "dependent form of transportation."

and on July 17, 1944 (Hansard, page 4946), Mr. Howe said:

> "In turning over the administration of the
> "airways to the Board of Transport Commis-
> "sioners, our difficulty has been that this
> "Board was too tightly bound by legislation.
> "All the legislation that had been passed
> "in connection with the railways was brought
> "to bear on the air transport system, and
> "the course of the Board was often deter-
> "mined by legal reasons that were not

"practical reasons, and not reasons that judg-
"ment brought to bear on the question would
"indicate to be desirable."

We are aware of the recommendation of the Turgeon Royal Commission on Transportation that control of all forms of transportation should be placed in the hands of the Board of Transport Commissioners which now has jurisdiction over railways, certain types of inland shipping, pipe lines and telegraph and telephone companies.

There is a real fear that the present Board of Transport Commissioners, with a preponderance of railway-trained employees and its historic interest in railway problems may not be completely free of railway traditions in studying problems of other forms of transportation.

While we share the desire for the evolution of sound national transportation policies, we recognize the specialized knowledge and outstanding contributions of the separate Air Transport Board and the separate Maritime Commission. We believe that each should have exclusive jurisdiction in its field and we respectfully suggest that the problems of coastal shipping whether in salt or fresh water are inextricably associated with the problems of ocean shipping and much more readily understood by those particularly concerned with such matters.

We cannot - as the Federal Government has not - accept the recommendation of the Turgeon

Commission. We believe that, for the immediate future at least, national transportation policies can best be developed by collaboration of the three bodies previously mentioned, rather than by their unification in one Board.

We are convinced, too, that if control is necessary, the best interests of the water carriers and of the users and payers of their services, the general public, can best be served by putting them under the control of a Commission that, by training and tradition, is equipped to control their operations and rates and that can devote its energies to meeting the challenge and the opportunities which the Seaway should bring.

If your Commission cannot see its way to recommending this transfer of authority over package freighters to the Maritime Commission, then we respectfully suggest that it should at least recommend that any schedule of maximum rates set for the Coasting trade should be based on the costs and requirements of that particular mode of transport and should not be forced to bear any fixed relationship to the costs and requirements of other modes of domestic transport.

To fail to go at least that far would, in our opinion, be to deny to Canadians what we believe to be the prime purpose of the Seaway - - - lower transportation costs.

I think I should say in conclusion that the summary of this brief has been approved also

by the Council of the City of Winnipeg.

THE CHAIRMAN: Then on page 14 of your additional memorandum you have merely repeated your submission.

A. Yes, we have included the other additional points.

---EXHIBIT NO. 68: Submission of the Winnipeg Chamber of Commerce, dated September 8, 1955.

MR. GERIN-LAJOIE: Q. You mentioned that the summary of this brief has been approved by the Executive, I think you said.

A. By the Council of the City of Winnipeg.

Q. Of the City of Winnipeg?

A. Yes.

Q. What do you refer to as the summary of this brief?

A. The summary is given at the end -- the last part of it.

Q. And the whole submission which you have read today has been approved by what body of the Chamber of Commerce?

A. By the Council of the Chamber of Commerce.

Q. Before going into the wide issues I should like to have clarification, if possible, of a few points. At page 4 of the document from which you read, you referred to the difference in cost of operation of Canadian-registered ships and United Kingdom-registered ships. At that point

you do not compare the cost of building a ship in the United Kingdom and that of building the same ship in Canada, do you?

A. No. Well, that would have to be included in any estimate, but I think if you were working out the ton-mile costs you would have to include capital cost as well as operating costs.

Q. Now when you mention that the Canadian Great Lake operators should not fear the competition of United Kingdom ocean freighters because they are not as efficient for carrying cargo on the Great Lakes and the St. Lawrence River, have you considered the possibility that a practical type of Great Lake cargo carrier could be built in the United Kingdom at a lower cost than in Canada?

A. It can be.

THE CHAIRMAN: Q. You say it can be, Mr. McCormick?

A. I think it can be built at a lower cost in the United Kingdom than in Canada. Evidence has been adduced to that effect.

Q. What do you do with it after you have built it?

A. Well, I am talking about building. The cost of bringing it across is something else. I do not pretend to be an expert on shipping costs. Dr. Solomon and Dr. Mayer argued at some length that there is enough business to provide for more traffic and that lower rates would undoubtedly produce more traffic, and there might be enough business

for all, even though some other ships came in. But the information we have had is that the cost of building that ship might be lower, but then there is the cost of special bracings to get it across, and there are other things. We do not just know where it leads. I would not pretend to know the answer.

MR. GERIN-LAJOIE: Q. Now some evidence has been put before the Commission to the effect that it would be possible to have Lake cargo ships built in Britain and brought over here, at a lower cost in the end than Canadian-built ships of a similar type. If that is the case, would your Chamber of Commerce have any objection to such a situation continuing and developing?

A. No.

Q. They would have no objection?

A. We still think there is room for both.

Q. You mean Canadian-built and United Kingdom-built? I am considering now the construction of the ships.

A. Oh, the construction, not the operating?

Q. The construction, not the operating.

A. I do not know. When we get into the arguments of shipyards, I do not know. We are concerned primarily with low transportation costs, and if that means that the ships have to be built in the United Kingdom and brought over here, we feel that is an inevitable fact of competition. We have heard the argument about keeping a defence

nucleus, and we believe, as does the Provincial Government and the farmers from Manitoba, that that is a matter of national policy, and that that burden should not be carried by the users of freight on the Great Lakes and the coastal trade.

Q. Now on that point, what is your view as to the way that could be done?

A. Well, I think that is beyond the field of coasting trade; that is a matter of what defence nucleus we need. The argument has been advanced that the shipbuilders have a stake in Canada, but against that let us put the argument that the people of Manitoba in 1953 paid $107,000,000 in personal income and corporation taxes. In addition to that, we paid Customs, excise, sales tax and succession duties, and out of that we pay a far healthier share of the cost of the Seaway than do the shipbuilders in Canada. Therefore, if we get down to arguing protection of investment in the Seaway, we have a bigger stake than the shipbuilders have.

Q. Do not let us be misled: It is not the interest of the shipbuilders we are considering now, it is the interests of the people of Canada at large.

A. If we get into the defence argument, that is a matter of national policy which we understand is being studied at the present time by the Federal Government. We in the Chamber of Commerce, do not like subsidies.

THE CHAIRMAN: What do you mean by that

statement, that you understand it is being studied by the Federal Government? Do you mean that it is excluded from the consideration of this Commission?

A. No, I did not think it was.

MR. GERIN-LAJOIE: Q. You did not think it was included?

A. I thought it was a matter of over-all consideration of defence. We are appearing here as users of Lake shipping. We would not presume to tell this Commission or the Federal Government what the defence policy of Canada should be. We are spending close to $2,000,000,000 on defence, and what share of that should go to shipping, what share should go to army installations and so on, we have not discussed.

MR. GERIN-LAJOIE: Q. If this Commission were told by the Departments of the Government that the shipbuilding industry was essential for the defence of Canada, this Commission would have to find ways by which the shipbuilding industry could be kept alive.

A. Our feeling there would be that that should be borne, the cost of keeping shipbuilding alive, out of the general revenues of the country and not be a burden placed on the users of coasting trade.

Q. Do you think that is feasible?

A. Well, it has been done in other countries.

Q. I am just wondering if you have any

suggestion as to how this could be carried out in this country?

A. There have been a number of suggestions. The Chamber has not discussed it. I am not empowered to speak on behalf of the Chamber on that point. There have been suggestions of subsidies to keep a defence nucleus alive in our shipbuilding yards. That is the only proposal I have heard advanced.

Q. What kind of subsidies would they be? They would certainly not be, I suggest, subsidies just to pay the overheads of a shipyard, pay the employees and keep them working.

A. No. The suggestion has been that there might be a differential allowed in some way to the builders of ships built in Canada rather than the United Kingdom. There might be a subsidy towards the cost of building individual ships. The Federal Government has, through its Departments, been placing a certain amount of work in those shipyards over the past few years which, because the Federal Government is prepared to pay higher prices than they could get similar things for in other countries, is in the nature of a subsidy to keep those yards going.

Q. But apparently this has proved insufficient in the way of volume of work according to the evidence submitted by the shipbuilders. Do you say that your Chamber has not considered the possibility of a subsidy system to keep the shipyards working?

A. No. They felt that that was a matter that entered into defence considerations rather than into the scope of this Commission. It was felt that it should not be a burden on the coasting trade.

Q. Now would you believe that a Great Lakes fleet is an essential link in the transportation system of Canada?

A. A Great Lakes fleet, yes.

Q. And would not the Chamber of Commerce fear that the Canadian Great Lakes fleet might disappear under the competition of United Kingdom ships and other Commonwealth ships?

A. No; we feel it would, to some extent perhaps, lose a monopoly position.

THE CHAIRMAN: How can you have a monopoly position? That is a favourite word at the head of the Lake.

A. At the moment it is simply a monopoly position because there are no other ships competing in it.

Q. "Mono" means one, but there are twenty-three Canadian companies.

A. I was talking of the Canadians -- a purely Canadian field, let us say.

Q. You then imply a combine?

A. No, sir.

Q. If it is a combine there are twenty-three competitors, and there cannot be a monopoly with twenty-three competitors.

A. I would say that we have no criticism of the present Lake operators. They provide, we think, low rates and efficient service.

Q. I think if you use the word "monopoly" you not only have a criticism of them; you imply an illegality.

A. Then I am incorrect in using the word. It was a service restricted to Canadian vessels, is what I should have said.

Q. What you want is a cheaper form of transportation available, and at the same time you say to us that the spur of U.K. competition is not really effective anyway, do you not?

A. I think the competition has been effective.

Q. Where? Now, today?

A. On the bulk freighters we have no complaint. The competition among the operators has brought rates down and kept rates at reasonable levels.

Q. Yes, but my question was: You say that you want, for the bulk freighters -- let us confine it to them -- the spur of U.K. competition, and at the same time you are saying that the U.K. competition cannot be effective. You said so

today.

A. Well, if the Canadian rates do not come down, we have been told by Mr. Chevrier and others there should be a saving of five or six cents a bushel.

Q. We have been told by the people who are going to carry it that there is going to be a saving inevitably, even if there is a total restriction. They have said that to the Commission not once but two or three times.

A. Free competition might force that down another cent or two.

Q. It is not a question of whether rates should increase, but how much they should decrease. Now in order that they should decrease to the maximum you say you want United Kingdom competition. You say that you want the spur of English competition to drive those rates lower, but what puzzles me is that in the same breath you admit that English competition is not effective competition on this basis outlined by Mr. Fisher in his statement.

A. We think that, from the point of view of bulk freighters, there may be new ships built that can compete. That is, so far as we are concerned, hearsay, but things change and progress, and new designs and new methods come in. Competition among Canadian operators may bring that, but our attitude, from the Chamber of Commerce point of view, is that competition should be free until it can be proven to be dangerous or injurious; that we should not bar competition simply because it may

hurt, but rather we should first see that it is going to hurt before it is barred. We are opposed to restriction for the sake of restriction; we would rather see the thing open to United Kingdom competition.

Q. That is again the argument about locking the barn door after the horse is gone. If you wait to see whether there has been a harmful competition, you will probably awake to find the shipping companies are all carrying on against a cut-throat type of competition at a loss, and the shipyards are simply closed up because nobody is ordering from them. I will tell you quite frankly from all we have seen -- we have not yet seen the St. Lawrence River yards, but from all we have seen in the other yards there are just no Canadian ships on the ways now, apart from subsidized construction, to which you referred, naval vessels and Government vessels, and a few scows on the West Coast, and that is all. It may be that there is something more in the St. Lawrence yards which we have not yet seen, but that is the position with the shipbuilding industry today.

MR. GERIN-LAJOIE: Q. Mr. McCormick, I think we are agreed that the deepening of the St. Lawrence for the Seaway will normally produce a saving in the cost of transportation from the Lower St. Lawrence to the head of the Lake, are we not?

A. It should, yes.

Q. Now if this deepening of the St. Lawrence to form the Seaway is going to harm the

interests of two Canadian industries which have been established for a number of years, shipping and shipbuilding on the Great Lakes, do you still object to any suggestion that some protection should be accorded to these industries if this protection is going to result just in a small saving in the cost of transportation, but not in a higher cost of transportation? I mean this: We have the creation of the Seaway, and one effect is to lower the cost of transportation. Now some people would say: Well, we are going to be affected by this adversely.

A. It will lower the cost of transportation in bulk freighters.

Q. Yes?

A. We are particularly concerned here, too, with package freight.

Q. But by bulk transport ---

A. Bulk freighters will lower the cost, yes.

Q. That is one thing. Is it your belief that package transportation will not be affected, the cost would not be reduced?

A. I think the cost will be reduced but we do not think the rates will be reduced under the present structure.

Q. The rates of water transportation?

A. On package freight, yes.

THE CHAIRMAN: Now, Mr. McCormick, surely your complaint there is not a complaint properly addressable to this Commission. It is a complaint

as to the policy of the Transport Board and should be addressed to the Government who appoints that Transport Board and proposes to the House the legislation which governs it. As I see it, you simply say that the natural saving on water transportation is prevented by the policy of the Transport Board in failing to tie the rates fixed for package freight to the rates it fixes for the railroads.

A. That is correct.

Q. So far as that is concerned, of course, what is in your brief may well be included in our report, not as a recommendation, but as a statement for the Government's consideration.

MR. GERIN-LAJOIE: Q. Mr. McCormick, I should like to have your view on this point which I am trying to make: There will be a new development, the St. Lawrence Seaway. Let us say that the result will be a fifty percent decrease in the cost of transportation. I say fifty percent just for the sake of argument.

THE CHAIRMAN: Do not get yourself quoted on that. That is rather optimistic.

MR. GERIN-LAJOIE: Q. If some people come and say: Now we are going to be adversely affected by this development, but you could protect us by some measures which would leave you a saving of forty percent instead of fifty percent, do you think it would be unfair on the part of the Government of this country to grant such a protection if it had such a result?

A. If that forty percent were evenly distributed among the users of the service, but if the ten percent margin falls on one particular segment of the economy, then you are being unfair to them.

Q. But if it is that segment of the economy which precisely benefits from the forty percent saving, is it not fair that that segment should bear the cost?

A. It is, but we are getting very theoretical about this thing.

Q. Is it just because your special and regional interests are at stake, or is it because you feel it is unfair from a national point of view?

A. Quite frankly, we are primarily concerned -- and I say this without apology -- in our own particular regional status, and we do not feel that that is incompatible with the national benefits to be derived from the Seaway.

Q. Now I will pass to a few other points. At page 5 of your statement you refer to the dollar earning argument on the part of the United Kingdom. Do you have any figures or could you tell, in your view, to what extent this argument is important or has really some significance?

A. Well, it has only relative significance in that Britain has always been our best customer -- not recently, but from the wheat point of view it has been our best customer until this year. It has been a very good customer. We have always had a favourable balance of trade with

Britain, but with the control of dollars in the United Kingdom, obviously Britain is going to use those dollars where they will do the most good. We have had quite a drive among industries and others to encourage people to buy in Britain, on the understanding that the more we buy in Britain, the more Britain will be able to buy from us. We feel that here is one field in which Britain has been able to obtain some substantial amounts of Canadian dollars, and an opportunity with the expanded traffic in the Seaway to get a share, perhaps even a very substantial share, of the increased traffic on the Seaway, thus earning more dollars, a fair share of which, we feel, will be spent in Canada. Now as to its relative importance with the shifting position of dollars, if the United States removed some of its restrictions on Canadian grain tomorrow, that perhaps would have much more effect than a few hundred thousand or million dollars available in Britain. So it is hard to say its relative importance with relation to other things, but it is important in the long run.

Q. A little further on in your statement you have mentioned that the Chamber of Commerce contends that Canadian and Commonwealth ships engaged in the coasting trade should have equal opportunities for competing in all areas of Canada. This is the status quo, of course, that you are asking for. I am wondering if your body has considered the possibility or advisability that foreign

ships be given the same privilege as Commonwealth ships?

A. It was considered and it was felt that certainly until the Seaway shakes down and we find where we are, that British competition would provide whatever outside competition was needed, and it could be kept as it is, with, perhaps, some look to the future, but it was decided not to recommend any more than that it be kept as is.

Q. Now I should like to go on to your point 7 regarding the comparison between rail rates and water rates and so forth. First of all you say that "maximum rates established by Governmental regulatory bodies in any field of transport should be based only on the costs and requirements of that particular form of transport". Do you believe that freight rates for transportation by rail should not be lowered to compete with water transportation, but should be established to meet the actual cost of that means of transportation?

A. We are talking about maximum rates set by the Board?

Q. Yes?

A. The railways are always free to lower those rates to any level that they can prove to the Board is at least compensatory. They do meet competition where it exists by means of competitive rates and other devices, and that freedom is theirs.

Q. What about, for instance, the rates

for transporting grain? Is it conceivable that the maximum rates permitted by the Board of Transport Commissioners I believe ---

A. No, they are statutory rates.

Q. --- are not sufficient to meet the actual cost of transportation?

A. Well, there is a very serious difference of opinion. Our friends from the C.P.R. will say that they are not. Those of us from Manitoba will say they have never yet produced evidence that the rates are not compensatory, and there is a significant relationship between the volume of grain carried and the profit shown by the C.P.R., so that there is a relationship there that they should study.

Q. I wondered if your statement applied both ways, not only regarding the rates to be fixed for water transportation, but also the rates to be fixed for rail transportation, when you made this general statement.

A. We believe that rail rates should be set on the needs and requirements of the rail carriers. We believe that the water rates should be set on the needs and requirements of water carriers. When you get into the field of rates, you get the matter of classification which is as important as the rates, you get the matter of diversity of size, fragility, and so on, and all of these are of importance.

Q. In conclusion, you would not get rates being fixed in accordance with the actual

cost for the particular mileage?

A. No.

Q. Now at pages 9, 10 and 11 you refer to recent increases in rates. You refer in those pages to the rates of rail transportation, I believe.

A. Yes, as related to water rates.

Q. Do you suggest that this Commission should recommend the revision of the decisions reached in the past few years in connection with the rail rates?

A. Not in connection with rail rates. The Chamber as such has not opposed increases in rail rates. We have been concerned about the relationship of rates as affecting market areas, and we have been concerned about the level of rates, naturally, because people have to pay them, but all businesses have been raising prices and we have not, as a Chamber, opposed the increases. What we have opposed is the automatic pulling up of water rates to practically the level of rail rates without any proof that the water carriers needed that additional revenue. That has reference to package freight only.

Q. At page 11 you mention that the Board of Transport Commissioners has shown, in your view, more interest in protecting the revenue position of the railways than in protecting the interests of the users and payers of package freight. Do you believe that it is a wrong way of considering the matter of rates to have in mind the

revenue position of the transport company, whatever it may be?

A. As regards the revenue position, I think we would concede that every company is entitled to earn whatever it needs to carry its obligations and earn a profit, but we feel that that burden has been placed with undue severity on the users of package freight; that they have been denied economies that should be theirs by reason of the cheaper costs of water transportation.

Q. But you do not mean that in fixing rates no consideration should be given to the revenue position of a transportation system?

A. No. Consideration should be given to it, but it should not fall on one little section. We should not raise that out of what we consider to be all reason. It should be spread over the whole rail system.

Q. I wondered what you had in mind. When you reject a proposal made that the whole control of the transportation system in Canada should be given to the Board of Transport Commissioners, would you object to the proposal made by the Government of Saskatchewan, for instance, that a new body be constituted to control all transportation systems, to a certain extent of course?

A. No, I do not think so, so long as it would include in its make-up representatives of all modes of transportation. We are as desirous as anybody else to see a national transportation

policy evolved, but we do not want to see it evolved in a Commission that is predominantly railway trained so far as its employees are concerned, and which is so concerned with railway problems that it did not have time, as Mr. Howe said, to consider air matters. We feel, for the same reason, that the present body would have difficulty in understanding the problems and difficulties of water transportation and the truckers, if they were to be included.

Q. Do you see any reason why there should not be any unification of the control, or so-called control, of the transportation system?

A. We do not see any need for unification. We think that the setting of sound national transportation policies can be done by collaboration among the existing Boards rather than by necessarily unifying them in one Board.

THE CHAIRMAN: Surely it is not the Board that sets the policies; they follow them. It is the Government and Parliament which sets the policies, is it not?

A. I think you are right, sir, but I think there is a fair amount of latitude allowed to each of the Boards in implementing the policies.

MR. GERIN-LAJOIE: Q. Did I understand that your Chamber favours the adoption of a national policy regarding transportation, or that each individual means of transportation should be considered separately?

A. No, a national policy. That is a

matter, as the Chief Commissioner has pointed out, for Government to determine a national policy.

Q. I wonder how this can be reconciled with your view that the rates for each individual system of transportation or mode of transportation should be determined just by competition without reference to the other means of transportation. How can there be a national policy governing all modes of transportation and at the same time leave each mode of transportation to settle its own rates on the basis of its own costs?

THE CHAIRMAN: The policy, I suggest, might be to allow all natural efficiencies to have their own sway. That in itself would be possible?

A. Yes.

MR. GERIN-LAJOIE: I thought it might be useful to have the Chamber of Commerce put this on record.

THE CHAIRMAN: Well, Mr. McCormick agreed with me.

MR. GERIN-LAJOIE: Counsel are certainly not trying to put the witness into a trap, Mr. Chairman, but I think it is useful to have all views put on the record.

This will conclude the questions I have, Mr. Chairman.

THE CHAIRMAN: There is just one question I would like to ask at the present time, Mr. McCormick. At page 6 of the additional information which you have put in today, you say: "The

expense of this" -- that is the provision of the Seaway project -- "is apparently to be borne by the whole economy". Why do you say that?

A. Well, because it comes mainly out of tax money.

Q. But I understand that that is only a matter of loaning; that the Seaway is to be considered as self-liquidating, and the calculation of tolls is now in process, which will make it self-liquidating

A. Then it will be borne by the economy in the proportion of the use made of the canals.

MR. WRIGHT: Q. Mr. McCormick, I am interested in the first basic policy from which your Chamber has worked, which reads: "The Chamber prefers dynamic control by competition to the relatively static control by regulation". I wonder if you would mind just explaining what you mean by that?

A. I see where you are heading, Mr. Wright. Our people are mainly businessmen meeting day-to-day competition. The prices are not set by any board, but to some extent by what the man in the next block charges for his products. That, they think, keeps business generally on its toes and makes it a more efficient and more productive affair. They think it provides the greatest benefit to the consumer in keeping prices low.

Q. Then it is your view, I take it, that it is through a perfectly competitive situation that you get dynamic control of any particular industry; is that right?

A. That is right.

Q. What do you mean by "dynamic control"?

A. The fact that it moves, and moves quickly.

Q. The fact that it moves, the fact that it grows?

A. Yes.

Q. And the fact that it is able to raise additional capital for technological improvements?

A. That is right.

Q. Do you really think you can get that result from a perfectly competitive situation?

A. I do not think there is any pure competitive situation that exists, but I think it is certainly a very definite part of our business system.

Q. Yes. Now you say that you prefer that to the relatively static control by regulation. Just what do you mean by that?

A. We had price regulation during the war years and there was no incentive to anyone to sharpen their pencils and cut down costs or to introduce new products. We did not want them to do so at that time, so that held the economy static at that level.

Q. You are talking, when you refer to that, of an emergency situation, are you not?

A. Not if controls are continued beyond the emergency situation: they have the effect of holding things static. We have conceded in the second section there that at times -- we are

talking in general terms -- basic policy has not particularly affected the coasting trade. We say that control by regulation should be kept to a minimum, though we concede that sometimes it is necessary.

Q. Should not regulation, if it works properly, provide the industries which are regulated with funds to enable them to progress and develop dynamically and vigorously?

A. I can think of several manufacturers who would just love to have their industries regulated to the extent that it could provide them with a fixed selling price, or funds that they wanted, but it is not in the interests of the consumer or the general public because it does not produce low costs or low prices.

Q. Well, that might depend on the regulation, might it not?

A. It would, and the regulations have a tendency to grow once they are established.

Q. Now on page 2 of your brief, section 4 you say: "Examination of the policies set out above leads to the conclusion that maximum freedom of competition and minimum restriction are desirable. These should, in turn, result in the lowest possible transportation rates". Now do you mean the lowest possible rate per se?

A. The lowest possible transportation costs to those who use them.

Q. That is really what you have in mind, is it not?

A. Yes.

Q. You are interested in obtaining the minimum total transportation cost?

A. Yes.

Q. Taking a broad view of it.

A. We are interested in paying the minimum transportation costs.

Q. Quite, and low rates on the short term might result in higher total costs in the long term?

A. That is possible.

Q. For instance, if the railways were not permitted to make sufficient profit to enable them to develop, let us say Diesel engines, and to buy Diesel engines, your total costs might in the long run be much higher. You will agree with that?

A. Yes.

COMMISSIONER WICKWIRE: I did not hear the witness' answer to that.

A. I am sorry. I would agree with the railways, unless they raise new money in other places to provide these things. I am not sure that the operation of the business could produce all the money that is necessary for expansion or for new equipment.

MR. WRIGHT: Q. I did not get that last part.

A. I say I do not agree that the operation of the business should produce all the capital that is necessary for expansion. The experience of most companies is that when they get into a period

of expansion they have to seek new capital.

Q. They have to borrow new capital you mean?

A. Yes.

THE CHAIRMAN: It is presumed that they have to pay it back.

A. Yes.

Q. And they can only pay it back out of the business.

A. Yes, but I did not want to leave the impression that the accumulated reserves should provide for the expansion. There should be a sufficient profit to provide the accumulated reserves which can be used for expansion.

MR. WRIGHT: But the company has to be in a position to borrow that money?

A. Quite.

Q. Now would you be good enough just to turn to page 6, paragraph 7, which reads:

"The Winnipeg Chamber of Commerce "believes that maximum rates established "by Governmental regulatory bodies in any "field of transport should be based only on "the costs and requirements of that parti- "cular form of transport . . ."

Do you mean to say by that when you refer to maximum rates that those rates should be based on a cost-of-service principle?

A. Well, we are rather inclined to the value of service as being a principle. The ultimate

in any rate structure is what the traffic will bear, which is value of service. Rates can be set and the Board I think sees to it that rates must be compensatory so that the cost of service is looked after by the Board of Transport Commissioners, but there are a great many rates well above the cost of service.

Q. Quite.

A. And we have no objection to that because I think, personally -- and I am not speaking for the Chamber -- that value of service is much more important in determining the rate than cost of service.

Q. Well, I just wanted to be sure, Mr. McCormick, that you did not intend when you wrote paragraph 6 any departure from the value-of-service principle.

A. We would not intend it, but the Board itself has said that value of service is not the deciding factor in rates.

Q. If that principle were departed from it might have a serious effect on the movement of primary products in Western Canada, might it not?

A. Yes.

Q. Now turning to page 7, in the last sentence in the paragraph at the top of the page you say:

"From their original position as independent operators whose low rates forced reductions in all-rail rates, there has been a gradual transition to their present status in which, so far as rates are

"concerned, package freighters have become "mere appendages of the railway system". Now what rates are you referring to there?

A. Rates for classed goods or commodities, things that move by package freighters.

Q. Are you referring to all-water rates?

A. Well, insofar as there is a water factor in the rate, that is all-water and Lake and rail.

Q. These steamship operators in the package freight business file rates, as I understand, for local movements between ports on the Great Lakes.

A. They have, I think, yes. I am not familiar with the specific rates.

Q. Are you referring to those rates?

A. No, we are referring primarily to the through rates. Those are the ones we know. We do not know the local rates.

Q. You are referring to the Lake and rail and rail-water-rail?

A. That is right. You see, we point out that the differential was the extent to which the railways had decided not to meet that water competition, and the Board of Transport Commissioners by its action has now said that under the all-rail rates there shall be a differential, and that becomes the water-and-rail rate; so that instead of the water rates pulling the rail rates down by virtue of being lower, we have now pushed the water rates up and attached them to a completely higher basic rate, and in the water factor of through rates there is

no consideration given to the economies of water operation.

Q. Now I expect you would agree that in the making of a water-rail and rail-water-rail rate there must be some measure of co-operation between the rail and water lines?

A. Just what do you mean, co-operation in making the rate?

Q. In making the rates, yes, otherwise you would not have the rates, would you?

A. Well, we have, as I mentioned, a rate with through Bills of Lading with Irish Steamships which gives a through rate, where there was not too much co-operation.

Q. Yes, but what about some of the Lake operators?

A. Well, so far as we know there is complete co-operation in making rates there.

Q. Is it not necessary that you have a certain degree of co-operation?

A. A certain degree, but not necessarily complete.

Q. You think it is too much, do you?

A. Well!

Q. Now you have dealt with this question of the Basing Arbitrary and the rates which have been approved by the Board under its equalization judgment, and I think you have agreed that the question of rates is really a matter for the Board of Transport Commissioners, and is properly outside the

jurisdiction of this Commission. Is that right, Mr. McCormick?

A. As constituted at the minute, yes, but we feel that having regard to the interests of Western Canada in the Seaway, we are pulling down the physical barriers, but there are barriers in rates and other things, and Government regulations that may deny any benefit to the coasting trade. We feel in effect what we are doing is bringing the sea coast into the interior of the continent, and we would not like to see that benefit, or any potential benefit from that, denied by a rate structure being continued.

Q. Really, the purpose of all this is to endeavour to show this Commission that the Board of Transport Commissioners is a rail minded body and not a fit body to deal with the question of water rates.

A. The purpose is to suggest that the coasting trade, as it becomes effective in the Great Lakes through the St. Lawrence Seaway, is something that perhaps should be put under a body which knows more about ocean freighters and shipping generally than under a Board that is traditionally railway conscious in its approach to matters.

Q. You think that the Board of Transport Commissioners is rail minded and that there should be a board which is more water minded; is that correct?

A. That is right.

Q. I rather took it from reading your

submission that you think they are rail minded probably because they did not agree with you on this question of rail-water differentials.

A. I do not think so.

Q. That is not so?

A. They did not agree with us, and we were unhappy about that, but we do not think it was simply because of that. Mr. Howe has said they were not air minded, and we do not think they are water minded, and the truckers have said they are certainly not truck minded, so that leaves them with only the railways and pipe lines.

MR. WRIGHT: Now I think on this subject, Mr. Chairman, for the purposes of the record, observing that we are dealing with this, there should be a reference to the Order of the Board of Transport Commissioners dated December 12th, 1952. No doubt you are familiar with that Order dealing with equalization of freight rates, Mr. McCormick?

A. Yes.

Q. In which the Board has said:

"The customary differentials which "are added to or deducted from 'all-rail-"class-rates' for the purpose of making "rates via water-rail, rail-water or all-"water carriers subject to our jurisdic-"tion, may be applied to the class 100 "rates specified in Appendix A; differen-"tials for the lower and multiple classes "are to be scaled in accordance with the

"percentages herein specified".

Now you agree that that was the Order which was made on December 12th, 1952?

A. Originally, yes.

Q. And then the railways and steamship companies affected by that Order were dissatisfied. That is correct, is it not?

A. Yes.

Q. Will you answer, because the reporter must get these answers.

A. Yes, they were dissatisfied.

Q. And the Parliament of Manitoba and the Winnipeg Chamber of Commerce were also dissatisfied, were they not?

A. Yes, we will say we were.

Q. I am just reading from the Order of the Board dated March 1st, 1954.

A. The dissatisfaction was what we have said here, with any level of differential that was pegged to all-rail rates. We were dissatisfied with the result of the differential, but the real dissatisfaction lay much deeper; it was with tying the water rates to the all-rail rates.

Q. You put that dissatisfaction before the Board, did you not?

A. Informally, yes.

Q. I am reading from page 49, from the judgment and Order of March 1st, 1954, which says:

"The Province of Manitoba and the "Winnipeg Chamber of Commerce were also

"dissatisfied with the differentials indi-
"cated in the judgment, but for reasons other
"than those of the carriers. They also
"opposed the alternative scale of differen-
"tials proposed by the carriers".

Then the Board was not able to resolve the differences between the dissatisfied parties, and in view of the impending opening of navigation they decided to rescind the judgment of December 12th, 1952 and permit the carriers to establish the differentials that they had proposed, but they said that the resulting rates would, of course, be subject to complaint and hearing thereon. That is what followed, was it not?

A. That is correct.

Q. And the Board indicated to you in that judgment that if you had any complaint you were to take it to the Board?

A. Quite.

Q. Have you taken any complaint since then to the Board?

A. I am not at liberty to discuss here the discussions with the Board, but let me say that the door has not been closed.

Q. Now dealing specifically with some of the statements which you have made in this brief, of which I think I would like to have some explanation, at page 10 you say:

"In March of this year, the so-
"called 'Equalization' judgment came into

"effect. One of its provisions was to wipe "out the old 'Basing Arbitrary' which was re- "placed with a system of a Basing Mileage from "approximately the same territory to the Lake- "head".

Now is that quite correct, Mr. McCormick?

A. Well, it depends on how far you stretch it. It is, we would say, approximately the same territory to Quebec, to Windsor, and it shades off from Toronto north to Sudbury.

Q. Yes, but does it break at the Lakehead?

A. Yes, so far as the mileage is concerned.

Q. Is it not the through mileage by Fort William or Armstrong to destination?

A. Yes, I am sorry. We used the term Lakehead, but it should have been Lakehead or Armstrong. The basis is the Toronto to Fort William mileage, and to that is added the mileage beyond Fort William, as I understand it. Is that wrong?

MR. EDSFORTH: No, it is by Armstrong as well.

THE WITNESS: Then I am incorrect. It is the mileage to the Lakehead or Armstrong, to which is added the mileage to destination. There is a fixed mileage to either one of those points, depending on the railway, and to that is added the mileage to destination.

MR. WRIGHT: But you get the advantage of through mileage to destination?

A. Yes.

Q. There is no break at Fort William as there was previously?

A. No break in rates, no, if that can be called an advantage.

Q. Well it is an advantage for certain Western points, is it not?

A. Winnipeg is not one.

Q. But there is an advantage.

THE CHAIRMAN: Now, now, gentlemen. I have been sitting here thinking that amongst our numerous duties we have not to act as a Court of Appeal for the decisions of the Board of Transport Commissioners.

MR. WRIGHT: No, my lord.

Q. Then in the next sentence you say:

"However, there is this difference: "in place of the rate for half the average "mileage, the full mileage from Toronto is "now used".

When you say half the average mileage, you have in mind the Basing Arbitrary?

A. Yes.

Q. "Water rates again rose right along "with rail rates".

Now what is your authority for saying that rail rates rose?

A. So far as we in Winnipeg are concerned, a good many of them rose.

Q. Some of them were less, were they not?

A. A few less.

Q. What about the situation further West?

A. They dropped, and the water rates dropped with them.

Q. You got the worst break?

A. We think so. We certainly think that we have been denied any geographic proximity to the Great Lakes by the rate structure.

Q. Then your next sentence reads:

"In effect the Board of Transport Com-
"missioners has nailed the floor to the ceiling
"and then pushed the ceiling through the roof,
"with the floor going right along with it".

In the case of the rates which came down the floor and the ceiling both came down, did they not?

A. Yes, but none of them came down to the floor, though.

Q. Next you say:

"We can see only one reason for this
"procession of events --- an effort to protect
"the revenue position of the railways ..."

Do you know to what extent these equalized rates protected the revenue position of the railways?

A. No. The plan was to provide the same revenue, and it was hoped it would provide a more assured revenue, but that is not sure, and we have not seen the studies since which would tell us whether it did protect the position of the railways or not.

Q. In other words, you do not know whether the railways come out with more revenue or

less revenue as a result of this?

A. Only the railways can tell us.

Q. Now turning to page 12, Mr. McCormick, you say in the paragraph at the top of the page:

"With the impending new transportation "developments which should follow the comple- "tion of the Seaway, we suggest that the "arguments used by the Hon. C.D. Howe in "establishing the Air Transport Board to take "over control of all air transport from the "Board of Transport Commissioners are today "equally applicable to the field of water "transportation".

What were the arguments which Mr. Howe used?

A. I think they are quoted there.

Q. Have you got the copy of Hansard from which you took that?

A. I have not them here, no, I am sorry. It ran through various dates for about three months off and on.

Q. I think you have not given the complete quotation in the first instance there, have you?

A. Well, we did not quote his whole speech, no.

Q. Is it not true that in setting up this Air Transport Board Mr. Howe did not have in mind so much regulation of the air transport business, but he had in mind more the development of air transport?

A. Precisely.

Q. And obtaining the information which would assist the Government in determining Government policy with respect to air transport?

A. I think that holds good for water transport in the impending new developments which are facing us, but to build a Seaway that is not going to be used to a large extent is not going to provide more transportation and more business and develop industry. It is certainly not going to pay for itself.

Q. You would not say that water transport was in quite the same position as air transport at the time that Mr. Howe set up this Board?

A. Water transport in the Great Lakes has had practically no contact with water transport in the rest of the world. It is true there are eighty-five ships coming in from the rest of the world trading into the Great Lakes, but they do not go to the Lakehead; they are going mainly to American ports. Certainly, in my opinion, the people who decided to go ahead and build the St. Lawrence Seaway must have foreseen a greater volume of ocean shipping using those facilities.

Q. But there is nothing new about water transport, is there?

A. Well, basically, no. It has been the same since the days of the Phoenicians, I suppose.

Q. There was, in the case of air transport, was there not? It was a new industry, was it not?

A. Yes, depending on how long it takes for a thing to cease to be new. We have had air transport for a good many years, but not as long as we have had water transport.

Q. We have not had air transport of the size and commercial nature which has been developed in recent years.

A. No.

Q. I take it you do not favour the setting up of a single regulatory body such as was recommended by the Turgeon report?

A. Not as recommended by the Turgeon report. We would not oppose the setting up of a single regulatory body that was representative of all the forms of transport it would control, but we would not like to see various types of transport lumped together under a body that has been traditionally railway minded.

Q. But you have no basic objection to the single regulatory body?

A. So long as it is broadly representative in its membership and staff.

MR. GERIN-LAJOIE: Mr. Chairman, I should like just for a moment to refer Mr. McCormick to the end of his statement, page 14 of the document from which he read, where it is mentioned that the Chamber believes that greatly improved dock facilities are required at the Lakehead. I wonder if Mr. McCormick has any information supplementary to that supplied by the Government of Manitoba?

A. No. This was written before the experts of the Government of Manitoba went down to the Lakehead to make their investigation, and we have no supplementary information.

Q. And no specific information on this point?

A. No, nothing else beyond the general feeling that they are not adequate. That, we think, has been borne out by the investigations of the experts engaged by the Provincial Government.

MR. GERIN-LAJOIE: Mr. Chairman, I have no other questions. Since in the course of examination we have been referring to the pages of this document, I was wondering if it should be filed as an exhibit?

THE CHAIRMAN: I was wondering about the page references which we have been given, as to whether they would be appropriate in the transcript. I am inclined to think that we should file it.

MR. GERIN-LAJOIE: Perhaps the reporter could make a reference to this at the outset of Mr. McCormick's statement.

---(See page 2673)

THE CHAIRMAN: Are there any counsel who wish to ask Mr. McCormick questions?

Mr. McCormick, there is one issue that has not been referred to today but it has been from time to time in the course of the hearings, and speaking personally, I regard it as very important. I think your Chamber of Commerce might have the

same view, and that is that it is most important that there be available in the Great Lakes shipping for the transfer of this grain through the Great Lakes, and soon right through the St. Lawrence. There is this competition, I suggest to you: Firstly, considering the competition outside the Great Lakes area, the Pacific Coast competition, the Hudson's Bay competition and the rail competition. Now none of those are changed, or changed particularly, except perhaps that the Seaway shifts the line further West between the Pacific and the Great Lakes.

A. And hurts the Churchill route, too, possibly.

Q. Well I do not know about that.

A. It may shift.

Q. Then the competition in the Great Lakes will be the Lake carriers as they presently exist and have been developed, Canadian Lake carriers, and through carriage in international trade from Fort William to Liverpool. Now stop there for a moment. There has never been a suggestion to this Commission that there be any interference with that through traffic.

A. No, sir.

Q. The next kind of Great Lake ship competition is by ocean tramps, United Kingdom ocean tramps coming in and carrying on coastal trade during part of the season, and finally what Mr. Lajoie referred to, the manufacture or building in England of Lake-type ships which would come in under U.K.-

registry and carry on in the Canadian coastal trade. Now apart from that group, because once they are in the Lakes their own make-up keeps them in the Lakes, they cannot trade outside, the big competition would appear to be these tramps which come in and which Mr. Fisher said were quite inefficient to compete with our Lake freighters. But the Lake ships fear the type of competition from them which would be that if ocean freight rates dropped -- and they are very "volatile" was the word used; they vary over a graph three or four times as extensive as those of the Lake freighters -- they would pour into this lucrative Great Lakes basin and would very seriously damage the Canadian Lake fleet's position, but their competition would not be a long-term competition; they would not have the responsibility of a fleet to keep up, or any kind of organization; they would just come in when other freight rates were not attractive and the Great Lakes rates were attractive, and they would go out when the reverse occurred, with the result that if they did damage the effectiveness of the Canadian Great Lakes fleet by that sort of competition, when they left they would leave in the Great Lakes no adequate supply of carriage of grain downlake, and that might be and probably would be just at the very time that the fleet in the Great Lakes was required. They would not be subject, as the Great Lakes freight carriers are now, to any Order of the Transport Controller. They would be United Kingdom ships and they would sail down through

the canals and out to the pot of gold wherever it might be. Is not that a danger which producers and handlers of grain in Canada should keep a very wary eye upon in considering this whole matter?

A. It is a danger. Our people, in thinking about it, did not think it would impinge seriously upon the traffic.

Q. Why?

A. I would not pretend that that is a particularly expert opinion because our people are not shipping people.

Q. But they hold the view that the Canadian-built lakers, despite higher costs of construction and despite higher costs of wages, are so much more efficient than an ocean-going tramp of deep-draught that it will just stay out of the Lakes because it knows it will get a beating.

A. That is the feeling.

Q. And any time it comes in it will be for such a short time that, although it may be irritating and harmful, it will not cause a serious wound.

A. It will not be serious, no.

Q. You are not able to assist us with anything expert?

A. No. We are not shipping experts.

THE CHAIRMAN: Thank you very much.

---(A short recess)

SUBMISSION OF INTER-PROVINCIAL FARM UNION COUNCIL

Mr. Jacob Schulz, appearing.

MR. MUNDELL: The next submission, Mr. Chairman, is by the Inter-Provincial Farm Union Council, represented by Mr. Shulz.

Q. Mr. Schulz, could you give the reporter your full name and initials?

A. Jacob Schulz.

Q. What is your position in relation to the Inter-Provincial Farm Union?

A. I am the Chairman of the Inter-Provincial Farm Union Council which represents five provinces at the present time.

Q. May I ask one or two preliminary questions here to get it on the record at this stage? Could you explain to the Commission what is the Inter-Provincial Farm Union Council.

A. The Inter-Provincial Farm Union Council is an affiliation of five Provincial Farm Unions. Each of these five Provincial Unions elects three men on the Council, and the Council meets every three or four months for the purpose of coordinating the ideas and policies of the five Provinces and presenting them on the inter-provincial and national level; mostly everything that is done in Ottawa, on the Government, is done through the Council for the five Provinces.

Q. May I just verify my recollection: Any person engaged in farming may join the Union

upon application and payment of whatever fee is required?

A. That is right.

Q. And then each Union has an Executive?

A. Each Province, yes.

Q. Elected at the annual meeting?

A. Of each Province.

Q. How are the members of the Council elected?

A. The Council is appointed by the Executive of each Province.

Q. Each Union having three members on the Executive?

A. Yes.

Q. That would be fifteen members.

A. Yes.

Q. And what are you?

A. The Chairman of that Board.

Q. How did you become Chairman?

A. I have been appointed by the Board, or elected by the Board.

Q. Amongst the fifteen of you?

A. From the fifteen, yes, that is right.

THE CHAIRMAN: Then the Saskatchewan Farmers' Union represented yesterday by Mr. W.J. Ferguson is one of the five Unions in your Council?

A. Yes, that is right.

MR. MUNDELL: The brief you are going to present has been approved by the Council?

A. Yes.

Q. But has it gone back to the Unions or has it not?

A. No.

Q. I am sorry, but I thought we might just get that information at this stage. Then I think you have a statement to make?

A. Yes. Mr. Chairman and members of the Commission ---

THE CHAIRMAN: Before you proceed, this brief is B-112?

MR. MUNDELL: Yes. I beg your pardon, Mr. Chairman.

A. I think the Chairman said the other morning that you would rather not have the brief read, and I would prefer that also, because I am a poor reader. Therefore I would just make a very short statement. I do not know how I can get away with it, because I think the Chairman will realize that we have put our brief in very straight language and I can assume that he objects to the word "monopoly" which we have used extensively in our brief, because we do believe that there is a monopoly existing right at the present time in our coastal shipping, and it comes from several factors. This is what we try to point out in the first paragraph of our brief. The factors are these, that our present St. Lawrence canals are not deep enough to allow us to bring in ships from other countries which have to cross oceans, which gives our shipping concerns a definite advantage. The next thing is

that our present Shipping Act is protective legislation. It was more protective, but it was amended in 1932, and it now gives the privilege to United Kingdom ships to come in, but still it is a protective legislation, and therefore it gives a definite advantage to those operators who operate in our inland waters.

The next thing I have a note of here is the practice of the Transport Board in pulling up water rates at the same time that they pull up railroad rates, and I agree completely with the Chamber of Commerce's brief, that there are two different ways of transportation and not too much relationship between them. Every time the Board of Transport brings up water rates along with railroad rates, that gives them a definite advantage. I think the main reason why we people think there are monopolistic conditions existing today in our inland shipping industry is because in spite of the fact that we have twenty-three shipping companies, as the Chairman of the Commission outlined this morning, they are still united in the Dominion Marine Association, and they have united only for one reason, and that is to protect their interests. There is only one way they can do that, and that is by raising the shipping rates.

There was one more thing brought out this morning, and that is this: It was said in the Chamber of Commerce's brief that the railway and the Lake shipping concerns are often getting

together and sitting down and discussing their operations, and no doubt their rates. Therefore, we people strongly feel that today we have a monopolistic condition existing. We were very happy when we heard that this Commission would sit, because this gives us an opportunity to discuss this particular point, and we do hope that out of the report of this Commission will come benefit in that direction. We do hope that our present Shipping Act will be liberalized to the point where it will not only remain as it is today, because we are going forward. We believe that all ships from all nations should be allowed to come in when the St. Lawrence Seaway is finished, because we believe that any waterway which can take ocean ships should be regarded as an international waterway just the same as the Suez Canal or the Panama Canal, and I think I am right in saying that these waters are regarded as international waters. Therefore we believe that all ships should be allowed to come in and take part in port-to-port trade after the St. Lawrence is deepened. This would give us enough competition to keep the rates to the point where the people, and especially agricultural people -- and these are the people I am speaking for -- would benefit from the construction of the St. Lawrence Seaway. If this is not done we believe that the benefit will go to a few preferred people and not to those who will pay for the construction and the outlay on this project. We believe competition is the only thing that will keep rates

reasonable, but we even go a little further than this: we believe that competition some times can be concentrated, shall we say, in such a point that it can be eliminated by agreements and therefore we think -- and we have this in the last paragraph in our proposals -- that there should be over-all regulations setting maximum rates, as we have it today, but we do believe in contrast to the Chamber of Commerce that this should be done by one body and not by several. We have today the Canadian Marine Association, the Canadian Transport Commission, the Board of Grain Commissioners, and we have the Air Transport Board. We believe and hope that the Commission will recommend that these bodies should be united in one over-all body to regulate and coordinate all shipping concerns in this country. We also recommend that if competition should be so severe that our own shipping fleet cannot exist, and there is a possibility that it cannot because of the different standard of living existing between other countries and North America; if this is the case, then we believe that subsidy is the only way out, and that should be carried by the nation instead of by a group which is obliged to use these facilities. The St.Lawrence Seaway will be, I think, regarded in the future as a national project. I think there was one reason behind it, and that is national defence; that is what it was built for. Therefore if it is built at least to some extent for national defence, then I think the nation as a whole

should help to maintain those particular interests which are harmed by the construction of the St. Lawrence Seaway, if they are. We do not believe that they will be. We only suggest if it should come about that they should have some protection, because it is hardly possible to expect that our own fleet, living in an area where there is a high standard of living, North America -- and this applies to agriculture today also -- should be expected to compete with nations with lower standards of living, because we are going to break things to pieces if we do so. If any branch of our industry is pulled down it will reflect on the other branches too, and will damage our whole economic system.

There is one other thing I should like to mention, and that is the speedier development of Port Churchill. We believe that not enough attention is given to the speedy development of Port Churchill, which is of great benefit to agriculture. We also hope that the Commission in their judgment will find some way to speed up the development of this particular Port. It means that there is a sixteen-cent saving on every bushel that comes into this port. For every bushel of wheat that goes to that port it means sixteen cents saving, and with prices going down every day -- they went down again yesterday -- I think it is very important that we should look at this particular item and see what we can do to benefit agriculture, and especially Western agriculture, which is so far removed

from overseas markets.

I think that is all I have to say, Mr. Chairman. If there are any questions I am ready to do my best to answer them. I only hope that these learned gentlemen will be a little easy on me.

MR. MUNDELL: Q. I would like to ask a few questions, if I may. Would it be a fair summary of the basis of your brief to say that you found most of your recommendations upon what you have already mentioned as being a prominent feature? Is it not really the basis of your brief that you believe there is a monopoly or combine in Lake shipping now which presumably adversely affects rates in relation to farmers. Would that be a fair summary of the basis of your brief?

A. Yes, I think that is right, only I would add that we hope that the Commission will do away with it.

Q. Then I would like to explore that. Have you any information that you could give the Commission to show that there is an agreement amongst Lake shippers to fix rates?

A. No, I have not, but I know that they meet.

Q. Wait a moment. You know that they meet as what? As the Dominion Marine Association?

A. That is right, in one place, but they also meet with the railways.

Q. You think there is an agreement also with the railroads?

A. Well, when you meet you meet for a purpose.

Q. Now the evidence before this Commission has been that the Dominion Marine Association, as many other trade organizations, exists to take care of certain common interests such as, for example, aids to navigation on the Great Lakes, which is a matter that they are all interested in, and the evidence is that there is no agreement whatsoever between them about rates. Do you believe that or not?

A. Well, if I had the proof, I would.

Q. Have you the proof?

A. No, I have not.

THE CHAIRMAN: But you make the allegation that there is a combine, so you give us your proof.

A. Well, when people associate in a union they do it for a purpose.

COMMISSIONER WICKWIRE: It might be a lawful purpose.

THE CHAIRMAN: Is there a combine amongst the farmers, then, because you are here representing them.

A. I figured that that question would come. Well, no, but we organize for a purpose, and that is to improve our position in the national economy.

Q. Which is exactly the purpose for which the Dominion Marine Association or the Canadian Manufacturers' Association or the Lake Carriers' Association, or any one of five thousand other

trade associations, were formed. I am afraid, having heard some combine cases, that I could not accept the fact that there was an association in a trade as being any valid proof that there was a combine. I put on the Crown a great deal heavier task than that in the last combine trial I had.

MR. MUNDELL: Q. In fact, I think you referred ten times to this monopoly, as you called it, and I was going to read them to you and ask you what was your evidence in support of these things, but actually you have no evidence; this is merely an impression.

A. No actual evidence, no, outside of that which I have mentioned to you.

Q. These are factors that might lead to a combine, but they do not establish one; is that correct?

A. That is right.

Q. Would it be a fair thing to say in regard to your first two points, that they cannot both operate, can they? You say that no non-Canadian ships can at present come into the Great Lakes effectively.

A. Not on port-to-port trade.

Q. Now wait a minute. Your second one is that the Canada Shipping Act affords protection.

A. Yes.

Q. Is that the same point or are there two points?

A. The Canada Shipping Act gives

protection on this particular point, that no foreign ships can come in and take part in port-to-port trade. Is not that correct?

Q. That is correct. That is non-Commonwealth, but the British ships can come in.

A. Yes.

Q. Now you mention as your first point no non-Canadian ships can, under the present canal system, come into the St. Lawrence and effectively compete.

A. Because of the channel not being deep enough.

Q. I just wondered whether those were two points or one point?

A. No, they are two points. First of all, the foreign ships are barred from this country because they cannot get through the channels; and secondly, because our present Shipping Act is a protective legislation.

Q. The first one keeps them out and the second one protects them in spite of the fact that they are not there.

A. Yes, it is a double protection. That is why I said it is a protective legislation, and why it should be liberalized to the point of regarding the St. Lawrence Seaway when it is finished as international waters which can take all ships from all nations.

THE CHAIRMAN: So you want Dutch, German, French and Japanese ships free to engage in the

carriage of goods from one port in Canada to another port in Canada?

A. Yes.

Q. You mentioned the Suez Canal and the Panama Canal. In neither one of those cases is there any right to engage in coastal trade. The Panama Canal is in United States territory, is it not, or territory controlled by the United States. Do you know that since the creation of the United States no ship but a United States-registered ship has been able to engage in its coastal trade. Did you know that?

A. No, I did not.

Q. Well that is true, so that no British, French, Dutch, German or Japanese ship could pick up a cargo at a United States port and drop it at Panama. They can sail through the Canal, but those Canals are a great deal different from the Great Lakes system, because they are channels between two oceans, whereas the Great Lakes system is one which occurs inside Canada and the United States, and just sits there.

A. Well, we still think ---

Q. I understand your position, but we are just examining the reasons for your position.

A. We still think we can only lower our rates by competition.

Q. I agree with you in that. I think that it is certainly a truism that without competition there will never be a reduction in rates,

but I point out to you that you have a suspicion, though it would appear nothing more, that there is not competition. I could mention twenty-three companies. Now I will agree with you that many of those companies are only little fellows, but there are four big ones, and they are all of them associated in the Dominion Marine Association. I think you will find that there is considerable evidence that they are not operating together in their general conduct, and that there is a mercantile striving between the four big people in that business. I know that you regard, as everyone is inclined to regard, a common price as evidence of a combine. Economists say that a common price can be evidence of a combine or it can be evidence of the most vigorous competition. I suggest to you that if you watch a place where there certainly is competition, and that is in department store merchandising in the big cities in Canada, you will find that the price of an article in one store within a few hours will be within half a cent of their competitor's price, and yet if there is any example of any fiercer competition than those department stores I do not know of it. They keep a large staff of spies going back and forth amongst themselves in order to be able to carry on that competition. Therefore we have to be a little careful in judging from external evidence to determine what is a combine. I agree with you also that it is difficult to get anything but external evidence. I beg your pardon, Mr. Mundell; I have

talked too much.

MR. MUNDELL: It seemed to me that the premise of Mr. Schulz' brief, or his Organization's brief, was the existence of this so-called monopoly or combine, I think would be a more accurate term. There is a good deal of strong language in the brief on other matters, but I think that if we were to explore such information as can be obtained on the question of monopoly that pretty well takes care of it from the point of view of the Commission, as regards other matters in the brief.

Q. I gather, Mr. Schulz, that you really have no specific fact or information as to the existence of this combine or monopoly, but that this is an impression you have. Is that correct?

A. Well, yes, of course, and we do not take any chances.

Q. There is one other thing you could have done and that is, I suggest to you, consider lodging a complaint with the Combines Branch in the Department of Justice. Had you thought of that?

A. Well, perhaps some day that will come about, but perhaps they have not developed to this point yet when they are eligible for investigation.

THE CHAIRMAN: But isn't it now when they have a complete protection, where they have got a fourteen-foot channel in the St. Lawrence that bars, as you point out, any effective competition from elsewhere, that their combine should be in full flower and should be subject to investigation?

After the Seaway is completed, whether or not there is any restriction on coasting trade there will be added another competition, and no suggestion has been made that it should be prevented, and that is through shipment to the United Kingdom or to any place else in the world, from the head of the Lakes, a thing which is impossible now as you point out because of the depth of the channel. So that if there is a combine the time to strike at it is now when the climate is favourable to it, and not later when it has other competitive effects brought in which it cannot control.

A. Then, Mr. Chairman, I am not in a position to investigate it.

Q. Well, that is what we all pay taxes for, and they have the staff at Ottawa for that purpose.

A. Perhaps it would be a good recommendation.

THE CHAIRMAN: That is what Mr. Mundell was asking you, whether you are going to make a complaint.

MR. MUNDELL: Q. I was really wondering if you had made any complain to the Combines Branch, and whether any investigation had been made?

A. No.

Q. Then on the Hudson Bay route recommendation, as you know the terms of reference of the Commission are limited to the coasting trade, that is trade between points in Canada by ship. Now what aspect of the Hudson Bay route do you

consider is tied up with coasting trade, or are you thinking largely of the overseas ocean-going export trade?

A. Well for example, development of the port for the coasting trade.

Q. For coasting purposes?

A. Yes.

Q. For what coasting purposes?

A. I think we point out in our brief that at the present time we have very good connections with overseas trade to the port, but we have not got any business with our other provinces, like the Maritimes, or very little. Everything that is loaded today or unloaded in Port Churchill -- or almost everything -- is for overseas shipment, but there is very little connection between other parts of this country. That is what I mean by coasting trade.

Q. Do you know of any trade that could be carried on of a coasting nature through Churchill?

A. Not exactly at the moment, but this is what I had in mind.

Q. I was thinking of the limitation of the jurisdiction, so to speak, of the Commission. It is only concerned with the coasting trade, and at the moment there is not any, or virtually none, through Churchill, I take it?

A. I do not know what could be done but we would like to see more trade between other parts of this country and this port if that is

possible, and we do believe it could be made possible, perhaps, by developing the port more speedily than is being done today.

Q. The facilities you mean?

A. The facilities of the port, yes, -- not only Port Churchill but other ports on Hudson's Bay.

Q. But at the moment Churchill is predominantly, almost entirely, international trade?

A. That is right.

COMMISSIONER BELANGER: I was just wondering what kind of goods you had in mind, between Churchill, for instance, and the Maritimes, or some port in the St. Lawrence, coming back from the St. Lawrence -- which kind of trade or which kind of goods?

A. I did not have anything in mind exactly. I only know that there is very little coasting trade in this particular port, with other ports, and I was just wondering if it could be speeded up.

THE CHAIRMAN: If there is any trade which would pass through it then there would be a foundation for preparing facilities for that kind of trade, but if no trade will use it then there seems little use in preparing the facilities for it. Surely the peculiar virtue of the Hudson's Bay route is its direct ocean contact, the direct route overseas. The route from Hudson's Bay to the Maritimes and Central Canada is just as circuitous as the ocean route is direct, is it not? We know that there is some coasting trade into Hudson's Bay from the Maritimes and from Newfoundland

carried by very small steamers or even schooners, but it is carried on by such boats as do not require a particular development of port facilities, and it is extremely spasmodic and unscheduled. Despite what you have said as to the availability of the Hudson's Bay route, those who engage in it regard it as rather a hazardous vocation. We had a couple of very interesting members of that trade giving evidence in Newfoundland, who were quite graphic in their description of it.

A. That is not the information we have from the Hudson's Bay Route Association.

Q. The Hudson's Bay route is a route for overseas trade in bulk carriers. When you say not only Port Churchill but the other ports, we are talking about the servicing of those other ports with such things as mine machinery and equipment and supplies to the governmental establishments of various kinds. Is not that your memory of the Newfoundland evidence?

COMMISSIONER WICKWIRE: Yes.

MR. MUNDELL: There is only one other point I would like to ask you about: Do you agree that it is a fair and reasonable policy to adopt, to require tolls to be paid for the use of the new Seaway facilities?

A. Yes, I do.

Q. Now supposing the Commission were to take the view which has been put before them in other connections that the maintenance of a Canadian

Lake shipping fleet is an essential part of our transportation equipment to be maintained to protect the people who use it, and fundamentally in this connection that would include the Prairie producers of grain; it is maintained for their protection as one of the facilities for transportation now -- would it not be fair to charge them with the cost of maintenance of that Lake shipping fleet in the same way as you charge tolls for the use of the canal facilities?

A. Well of course.

Q. Does not the protection for the Lake shippers really boil down to this: that in order to protect the users of the fleet which is maintained as an essential link in our transportation system, you ask them to pay the cost of maintaining that link? Is that an unfair way of putting it to the Commission?

A. No.

Q. Your position is inconsistent with your brief in this respect. You are opposed to protection.

A. We are not opposed to paying our share of the cost -- I think that is what you have in mind -- of construction of the Seaway.

Q. What about paying your share of the cost of maintaining the fleet?

A. We are absolutely against maintaining extra profit for the operators.

Q. Now supposing that your views on the monopoly or combine are not correct, and supposing

that there is competition; if necessary, have it investigated, and suppose it is established that there is competition so that the rate is as low as possible under competitive conditions with Canadian ships, but supposing it costs a little more to maintain that Canadian fleet there, who is benefiting by the existence of the Canadian fleet?

A. I do not think we only need the Canadian fleet for shipping purposes; we need it for defence, as I said before, and therefore I think it becomes a national responsibility from then on.

Q. Supposing you need a great deal larger merchant fleet as part of the transportation system than you would for, say, defence purposes.

A. That is something I would not know. If you do, then I think the people who use it should pay, but when it comes to the point that this particular branch of an industry cannot compete with other industries of other countries, then I think it is up to the nation to see that this particular branch is kept up to an equal level with other branches of our industry.

Q. But supposing it is kept up for the benefit of one particular segment, should the whole nation pay?

A. Yes.

Q. Even though it is for only one part of the nation?

A. We do it all the time with social services -- this pension fund, for example, only

benefits old age people, but we all pay for it.

MR. MUNDELL: But we all hope to grow old enough to get the pension.

COMMISSIONER WICKWIRE: Would you favour the importation of Argentine wheat, let us say, through the St. Lawrence Seaway into Manitoba?

A. No, of course not.

THE CHAIRMAN: Or New Zealand butter?

A. No.

Q. There is one statement made in your brief which was previously made this morning by Mr. McCormick, and I must have read it a dozen times, emphasizing that the grain growers in Canada are so far from their markets. Now surely distance is merely comparative. What other grain growers are selling in those markets?

A. The United States, for example, Australia and Argentine.

Q. The United States is around about the same distance, is it not?

A. Perhaps.

Q. As a matter of fact, their domestic demand far, far exceeds the Canadian.

A. Yes.

Q. Argentina and Australia are both further from their markets, are they not?

A. I would not know.

Q. Yes, I suggest you do know. Take a look at the globe and see how far Australia is from London, and take a look at any shipping

document or any rail document or any air document and you will see it is about one and a half times. Argentine is further than Canada. Is it not a natural piece of geography that in these days of old lands with heavy populations eating up all of the food that they grow, the wheat areas are by their very nature far from the population centres?

A. It is not a problem alone of Canada, as I see it.

Q. And all these other places have, to a very large degree, their coasting shipping protected -- Australia in a peculiar fashion, and Argentina absolutely. When I say in a peculiar fashion I mean because of constitutional requirements it is done in a different way. In fact, they enacted a statute and never had to put it into effect because all the United Kingdom shippers complied with the policy. So that is a thing that shippers of bulk food products always have to contend with, the distance from the market.

A. That is exactly what I mean. There is the problem that we are confronted with.

Q. Yes, but it is not a problem which puts you in Canada in any position of unique hardship. It is the same thing with the Argentine grower of wheat and beef and with the Australian grower of wheat and beef or mutton.

A. But the fact still remains that we are the biggest exporting nation so far as wheat is concerned, and therefore we have to work under

very hard competition. We have to search for markets, and we could find them easier if we could get our costs of transportation down to some extent. This is what we are hoping to get out of this St. Lawrence Seaway when it is finished.

Q. You heard me say today that the people who are asking for the restriction have assured this Commission not once but on several occasions that there will be a reduction in cost of transportation.

A. If that is true, then everybody will be satisfied.

Q. Oh, I do not think you would. I think the reduction might not be enough to satisfy you, but what I am pointing out is we are dealing with the question of whether or not there will be sufficient reduction, not whether there will be in fact an increase. It would have been a pretty stupid thing for Canada to have done to have spent two hundred and fifty million dollars at least in order to increase the cost of transportation, would it not?

A. What we are afraid of is this, that if our present Shipping Act is not liberalized then we will get into the same position as we are today practically, and the point is that we are afraid there will not be enough competition to bring down the prices.

Q. Even with the United Kingdom ships there will not be enough competition?

A. Even United Kingdom ships will not

be able to come in, many of them, because they still will be too big to come through the canals.

Q. The same thing would apply with the German, Dutch and Japanese, would it not?

A. Yes. That is the reason we want more.

Q. So in addition to all competition which one can possibly get, you want the regulation of a maximum price?

A. That is right. Mr. Chairman, I would like to point this out, that whenever we look at the situation we look at it from the farmer's point of view.

Q. No one is blaming you for that.

A. And the farmers and the agricultural interests today are subjected to competition from every place. We cannot see why any other industry should be privileged to be protected while we are not.

MR. MUNDELL: Q. Then if I may go back to where I was a moment ago, you would not agree that if the Lake fleet is to be maintained as protection for the Western farmer, as a necessary facility for him to market his crop, and as a necessary facility for the people who ship ore, that those two interests should bear the cost of maintaining it if it is otherwise uneconomical, and that that cost could be put on them by protecting the industry. You would not agree with that?

A. Well I do not know.

Q. I suggest to you that there is very

little difference between that and paying tolls for the construction of the Seaway.

A. Oh, there is a difference. After all, somebody has got to pay for the construction of the Seaway, and I think the people who use it should do that, but then when it comes to protecting a fleet which is not only used for merchandising but it is used for national defence, that is a different problem.

Q. You would say that it should be borne in the matter of national defence wholly, although it is extremely useful to your members as a facility in marketing their goods?

A. It is useful to Canadian development, not only to the Western farmers, and therefore it should be looked at as a national project.

Q. Who is the primary beneficiary of the existence of that fleet?

A. The farmers.

Q. I just suggest to you this: Might it not be a fair thing to recommend, if we should maintain a fleet as a necessary part of our transportation system, and the prime beneficiary of that maintenance is the farmers, that the farmers as the users should pay their proportion of the cost of maintaining that fleet?

A. No.

MR. MUNDELL: At any rate, we know where as stand. I think that is all, Mr. Chairman. Thank you very much, Mr. Schulz.

THE CHAIRMAN: Is there any other examination?

MR. WRIGHT: No questions.

THE CHAIRMAN: Thank you very much, Mr. Schulz.

Now it is too late, I think, to have another brief before lunch, but I think we should mark as an exhibit the additional material received from the Hudson's Bay Route Association because of the letter stating the officer's inability to appear and make representations.

---EXHIBIT NO. 69: Letter and enclosure from Hudson's Bay Route Association to The Chairman of the Royal Commission on Coasting Trade, dated September 2nd, 1955.

---The hearing adjourned at 12.50 P.M. until 2.15 P.M.

---Upon resuming at 2.20 P.M.:

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: You will remember, Mr. Chairman, that at Regina yesterday the representatives of the Saskatchewan Wheat Pool suggested that they make available to the Commission a witness from their export department here in Winnipeg to describe to the Commission the various steps and stages in an export transaction. Mr.Evans of the Saskatchewan Wheat Pool export department is here, and with your permission I would suggest we might ask him to take the stand at this time.

THE CHAIRMAN: Yes, if he would.

PERCY A. EVANS, called.

MR. MUNDELL: Mr. Evans, what are your initials?

A. P.A.

Q. What is your position?

A. Export Manager of the Saskatchewan Wheat Pool.

Q. And you are stationed in Winnipeg?

A. Yes.

Q. I wonder if you could, in a narrative way, describe for the Commission the channels that 1,000 bushels of wheat, say, off the farm in Saskatchewan would follow through until it arrives in Liverpool? Just start with the wheat and follow it through, the emphasis being on the

water transport angle which, I understand, is a rather minor part from your point of view so far as wheat is concerned, but could you take the transaction right through?

A. As I understand it, Mr. Chairman, the object of my being here is to help you get at the physical movement of the grain?

Q. And the transactions ---

A. Not the disposition of the grain?

Q. The way it moves, and the various transactions. I am a farmer with 1,000 bushels of wheat on a farm in Saskatchewan, and that wheat winds up in Liverpool. What happens to it in between?

A. All right. As you know, the Canadian Wheat Board controls all wheat in Canada. Immediately that wheat is delivered to the country elevator it becomes the property of the Canadian Wheat Board, and they have the final disposition of that wheat. That grain is moved from the country elevator to Lakehead terminals, and when I mention Lakehead terminals I am assuming that we are only interested in the actual export of this grain and not in the movement of grain for domestic consumption within Canada. The grain is moved to the Lakehead elevators. It is unloaded there, and a warehouse receipt is issued, and this warehouse receipt is turned over to the Canadian Wheat Board.

The Canadian Wheat Board have their initial price in the country to the farmer. Then they have what they call their in store Lakehead price

which is assumed to be the world price for wheat. If we, as exporters, wish to sell some wheat, we contact the Wheat Board, and we make sure that we can sell wheat in the position that we require it, and they also tell us the price and their shipping differential. The shipping differential means the cost to the seaboard from the Lakehead because all milling wheat -- and I am assuming we are referring to milling wheat that is going to be shipped overseas to English mills or European mills -- all milling wheat is moved down the Lakes from the Lakehead by the Wheat Board agent -- we are an agent of the Wheat Board -- and all the costs of moving that grain from in store Lakehead to in store, we will say as an example, Montreal are figured, and the Board sets a differential. The present-day differential is 18-7/8¢ per bushel over the in store Lakehead price to bring it to a price which they call c.i.f. Montreal -- in store.

Now, to move that grain from the Lakehead we as agents must contact a vessel agent in order to obtain the necessary Lake freight to move the grain down. It can move in three ways. There is Lake and rail, and that is when it moves by vessel to Bay ports and from Bay ports to Montreal by rail, or it can move by all water, and that is when small lower-Lake vessels take it straight through from the Lakehead to Montreal, or it can move by water through what they call transit ports. The upper-Lake vessels are unable to proceed to Montreal, so

the larger vessels take it to Prescott or Port Colborne, and the lower-Lake, or small type vessels, take it on to Montreal.

We as agents of the Canadian Wheat Board must arrange for freight to move this grain, so we contact vessel agents to obtain this freight. It may be convenient for them to let us have it, or it may not, depending on their commitments, but I want it understood here that I am not trying to discuss the vessel agents' or the vessel owners' business; I am just bringing that in as an illustration. If they have the freight available they will let us have it at the going rate. We, in turn, contact the Canadian Wheat Board and tell them that we have space, that we can move some wheat for them as an agent to whatever port they designate. They may tell us they want that wheat to go to a Bay port, or they may tell us they want it to go to a St. Lawrence port, depending on their requirements at the time for export in relationship to their commitments for overseas sales. We obtain this freight and we move it to whatever position we are told, and it remains there as what we call agency wheat. We cannot dispose of that wheat without instructions from the Canadian Wheat Board.

Now, as exporters, if we want to sell some of that wheat overseas we get the Board's permission as to the type of grain we can offer -- that is, the grade and position. It may be the last half of September or the first half of October, or any

fifteen-day period, and then we get their differential, which I explained a few minutes ago, and we gather together all these prices and the periods, and so on, and we can offer it in three ways. It can be offered f.o.b., say, a St. Lawrence port, which means free on board the ocean vessel, the buyer supplying his own ocean freight; it can be offered c. and f. Liverpool, which is cost and freight, meaning that we would have to book the ocean freight but the buyer would insure the cargo. Then, we can offer it c.i.f. Liverpool, which is cost, insurance and freight where we pay all charges. We buy the grain, we book the ocean freight, and we insure the cargo to destination, and we guarantee full out-turn at unload which means that if it unloads and there is a shortage we pay the buyer the contract price for whatever grain is short at unload.

When we arrange with the Wheat Board to obtain these stocks we will prepare our offer. We will take the price the Wheat Board has quoted, and we can either take a long or short position on ocean freight depending on how we feel about the freight market. We can obtain what they call an overnight refusal on ocean freight -- that is, the vessel agent will permit us to work on freight until 12.00 o'clock the following day on a named quantity at a named rate for a named port to correspond with the period that we are offering the grain, say, the last half of September, and so on. In

computing our offer we have to add the cost of this freight into it, and if it is acceptable to the buyer he will immediately cable an acceptance, and we in turn must book the wheat with the Wheat Board some time prior to the close of the market the next day to which we are making the offer. We book the freight on which we had the refusal with the steamship people, and we cable an acceptance of that booking.

In addition to that foreign exchange is involved, for example, the United Kingdom -- and I will concentrate on the United Kingdom because that is a common market so far as we are concerned. We must figure in sterling because payment is made in sterling. Today we are unable to get protection from the banks on an overnight rate. All they can do is to give us an indication of what sterling might trade at the following morning if we wish to sell the sterling to cover it. So, if we make the sale we also have to -- if we feel that the risk is too great to carry the foreign exchange we will immediately sell it for the period of delivery which may be a month, or two or three or four months later.

Once we buy that grain from the Wheat Board there are two different methods by which we may purchase it. We can establish a price immediately, or we may exercise the privilege of deferred pricing, which is a system instituted by the Wheat Board a number of months ago which gives the buyer the privilege of pricing that grain any time up

until a stated number of days after the grain is called for loading, or the last day of contract, whichever is the earlier. For the St. Lawrence ports they have 7 days after the date of the bill of lading; Churchill is 9 days, and Vancouver is 15 days. They figure that is about sufficient time for the vessel to reach the destination.

So, we must declare whether we will establish the price immediately on this grain, or whether we are exercising our right to price it on the deferred basis.

When the time for shipment comes along the freight that we have booked will be tendered to us. We call the Wheat Board for the grain to satisfy our contract. The grain is loaded, and when it is loaded we cable the buyer and tender against the contract, and we have the necessary ocean documents prepared, which are bills of lading, inspection and weight certificates, and they are forwarded overseas for payment.

As far as the Lake movement is concerned wheat is not too good an illustration ---

Q. I was wondering if you could talk about barley, pointing out the differences?

A. Well, barley -- oats and barley, as you know, are also controlled by the Canadian Wheat Board, but unlike wheat you are permitted to buy oats and barley from the Wheat Board in store Lakehead, and it becomes your property then to do with as you wish. So, using barley as an example, if

we wanted to offer barley overseas of course it would be necessary for us to determine what price we were going to have to pay for the barley, and then if we make a sale for a specified period we will go to a vessel agent and endeavour to arrange with him to move the stocks to the seaboard position, or, if a sale is made, say, at this time of the year for delivery or shipment next spring after the opening of navigation, we may say: "Well, we don't wish to book freight now. We will wait until next spring", or we can probably enter into a contract with the vessel agent to move the grain in the spring just depending on how we feel about the market and the conditions.

In moving that barley we would buy it from the Wheat Board, or we may buy it from some other shipper who had purchased stocks in anticipation, probably, of business that did not develop and therefore he may re-sell those stocks to another shipper. But, in any event, we would buy the stocks in store Lakehead, and arrange for shipment down the Lakes in sufficient time to meet our ocean freight. We would go through the same procedure with barley as we do with wheat. We book ocean freight, or we would take a position in regard to ocean freight depending on how we felt in the market, and the same procedure would follow right the way through, and the only difference between wheat and barley is that we have to use our own initiative in obtaining freight and shipping that barley down the Lakes. It becomes our property from the moment we buy it in store Lakehead.

In that way it is unlike wheat. Wheat, as I mentioned, we cannot buy in store Lakehead -- that is, milling wheat. It is only sold by the Wheat Board to shippers in export positions. They control it right through, and all offers on wheat must be made subject to confirmation by the Canadian Wheat Board.

There are two different types of sales you can make. It is either inside the International Wheat Agreement, or it is outside the International Wheat Agreement, and that must be declared to the Wheat Board at the time of purchase of the grain, and the destination must be declared.

In other words, the Board must know what the ultimate disposition of that grain is going to be when you book it, and the same applies to Churchill except that it is a different proposition there in that Lake freight is not involved, but I do not think you are too concerned with that movement.

Are there any other questions that you would like to ask?

Q. I was wondering if I could take it down to the seaboard in a little more detail, and see if I have it correct. A farmer having wheat or barley to sell has a permit book ---

A. Yes, a delivery permit book.

Q. And quotas are fixed as to what amount he can deliver at any time under the permit book?

A. Yes.

Q. Then, he delivers it to the elevator,

and at that time, generally speaking, he sells it to the Wheat Board; is that correct?

A. The Wheat Board takes possession of that grain from the producer at their initial payment price.

Q. That is at the country elevator?

A. Yes, he is acting as an agent.

Q. And the Saskatchewan Wheat Pool operates 1,100 country elevators?

A. That is right.

Q. And when the farmer arrives at the elevator with his grain, delivering it under his permit book, your local elevator operator, acting as the employee of the Saskatchewan Wheat Pool, the whole organization being the agent of the Wheat Board, pays the farmer the initial payment, and he gets the participation certificate then at that time -- or is that at a later time?

A. Yes, that is right.

Q. Then, the wheat is moved forward by the Saskatchewan Wheat Pool as an agent of the Canadian Wheat Board to Fort William on the instructions of the Board?

A. Yes, on their instructions, depending on what they wish to move at any time.

Q. And this whole movement between the Saskatchewan Wheat Pool and the Canadian Wheat Board is under a handling agreement?

A. Yes.

Q. And that handling agreement is uniform ---

A. Yes, for the whole trade.

Q. Then, it gets to Fort William or Port Arthur, and into the elevator, and a Lake clearance certificate is issued to the Wheat Board?

A. No, it is issued to the company that shipped the grain.

Q. And it is transferred by them to the Board, is it -- or do they hold it?

A. They transfer it to the Wheat Board to redeem their obligation on that delivery of wheat they took from the country elevator.

Q. And the settlement is made between the Board ---

A. The Board pays for that grain at their in store Lakehead price.

Q. That has it into the elevator at Fort William or Port Arthur. Let us take, barley now -- let us switch from wheat to barley, because wheat you buy from the Board at the seaboard position price.

A. Yes.

Q. And that is the Lakehead price plus a differential?

A. Yes.

Q. With regard to barley, you would buy it from the Board at Fort William or Port Arthur?

A. Yes, at the in store price.

Q. And then you arrange for the shipment of barley yourselves down the Lakes?

A. Yes.

Q. And you can go to one or more, or half a dozen, vessel agents?

A. Yes, it is your privilege to deal with any vessel agent you wish.

Q. And would you shop around in the expectation of getting a better rate from one or the other, or what is the practice?

A. Well, when you say "shop around", the situation that has existed for the last few years is that Lake freight has not been that liquid that you could shop around.

Q. On wheat or coarse grain?

A. On any kind of grain.

Q. How do you account for that?

A. The demand for Lake freight, I would imagine.

Q. When you say it has not been very liquid do you mean it has been at the maximum, or near the maximum, or below the maximum?

A. Maximum what?

Q. Maximum rates?

A. I thought you were talking about space. I was talking about space.

Q. I was thinking of shopping around to see if you could get a better rate.

A. Well, I mentioned the fact that space has not been that liquid.

Q. I beg your pardon; I am not quite sure that I follow what you mean by "space".

A. Well, vessels.

Q. There has been insufficient space; is that it?

A. Yes, that is right.

Q. Can we go on with the other point? Would you shop around to see if you could get a better rate?

A. We always try to move grain at the cheapest possible rate that we can.

Q. Is there any rapid degree of fluctuation?

A. No, there has not been in the last few years.

Q. Where would the rate be in relation to the maximum rate that you know at the moment -- the maximum rate permissible?

A. Well, on a movement to the St. Lawrence the maximum is 16¢, and it is currently trading at 13½¢.

Q. 2½¢ below?

A. Yes.

Q. In connection with the barley you would arrange for all the shipping documents through the vessel agent?

A. Well, the vessel agents -- the only responsibility they have is to supply Lake bills of lading to the equivalent of the amount that has been loaded on board their vessel, but that is only through the Lake Shippers' Clearance Association which acts as agent for the vessel.

Q. When you are shipping a quantity of grain smaller than a full cargo you just make your arrangements with the special agent and he, presumably, arranges the balance of the ---

A. That is right. You can load a full cargo if he has space available, or you can load a hold of grain, or you can load part of a hold. It depends on what you want and what space he has available.

MR. MUNDELL: I think that is all I have to ask, Mr. Chairman.

THE CHAIRMAN: Thank you very much, Mr. Evans.

MR. MUNDELL: Mr. Chairman, Mr. Norquay, who is a vessel agent in Winnipeg, is present, and he has agreed to explain the operation of his business to the Commission.

THE CHAIRMAN: Very well.

JOHN J. NORQUAY, called.

MR. MUNDELL: What is your name?

A. John J. Norquay.

Q. And what is your occupation?

A. Vessel agent and broker.

THE CHAIRMAN: Q. At Winnipeg, Mr. Norquay?

A. Yes. I conduct a general brokerage business in the grain trade.

MR. MUNDELL: Q. Are you the agent for any particular company?

A. I am agent for four or five companies,

principally Paterson Steamships, Abitibi Navigation Company, Marathon Paper Corporation, and Parrish & Heimbecker Limited.

Q. You were here when Mr. Evans was giving his narrative as to the course of his operations in relation to grain?

A. Yes.

Q. I was wondering if you could do the counterpart of that so far as your operation as a vessel agent is concerned in relation to the movement of grain?

A. Yes. Well, the operation of a vessel agency or a brokerage business in the Winnipeg grain market is that we solicit grain for what ships we may have available for grain, in the process of which we interview all of the shippers and exporters on the Winnipeg market and ascertain from them what their requirements are, and endeavour to satisfy that so far as our tonnage is available. From time to time, of course, the situation is reversed. We may be allotted some tonnage, in which case we are offering the tonnage to the grain trade and asking them -- the various shippers and exporters -- if they are interested and what cargoes they have or might have, and in the process of that we get together on shipping quantities, shipping dates, and rates and despatch, and so on.

Q. Then, if, for example, Mr. Evans on behalf of the Saskatchewan Wheat Pool was wishing to ship grain down the Lakes he might come to you

and say to you: "Have you available tonnage"?

A. Yes, he would indicate to me what his probable requirements were, where they wanted to ship these quantities, and to what ports, and we would see what we might have in the way of tonnage to meet that. If we had not anything to coincide with his ideas we might make a counter-offer. We might say: "We have nothing for the last half of September, but we have something for the first ten days of October", and we might get together on the trade.

Q. How are your rates determined? Who sets your rates on freight?

A. Well, they are set by the competition in the trade, as to what tonnage is offering and what grain is offering, and while rates have generally been reasonably stable in the last few years they are still subject to fluctuation at any time.

Just to illustrate that, this morning I offered some oat freight to Montreal at 11½¢, and the shipper said he could obtain freight at 11¢, and I said: "Well, that is all right; I am sorry, but I cannot meet that 11¢ rate. My principal will not accept 11¢ for oat freight to Montreal. He wants 11½¢". So, somebody else would get that particular parcel or shipment.

Q. In the ordinary course if I had a grain cargo that I wanted shipped down the Lakes I would get in touch with you, or one of the several others ---

A. Yes, there are several brokers on

the Exchange.

Q. When you say "on the Exchange" what do you mean?

A. I mean on the trading floor of the Exchange; brokers who are members of the Exchange.

Q. You are a member of the Exchange yourself, available there immediately for ---

A. Yes, we all maintain offices in the Winnipeg Grain Exchange building, and we are all members of the Winnipeg Grain Exchange, and we circulate around the floor during the market session, and we are available for the rest of the day in our respective offices.

Q. And as you mentioned this morning you made an offer which was rejected because ---

A. Somebody else had offered half a cent less, and my principal was not accepting that, so we did not take that particular cargo.

Q. It has been said before the Commission, and said vehemently, that there is a combine between the shipowners on the Great Lakes to fix the rates, and that the rates are rates agreed upon amongst themselves. What would you say to that statement?

A. No, I would not admit to that because to my knowledge there is no such combine existing, or has existed, because these rates are changing -- well, they have been relatively stable in the last few years, but they have fluctuated widely from time to time. I can recall one occasion two or

three years ago in October when the Fort William differential rate fluctuated three or four times in the course of a session. Between 9.30 and a quarter to 1.00 that rate did change, and I recall this particuarly, three or four times, and the spread was between a cent and a cent and a quarter for that particular session.

Q. What would account for that?

A. It was just the demand that was in at that particular time. You see, shippers, generally speaking, are more concerned with more or less precise certainties. They have put in a bid for a certain quantity, and they are looking for freight that will fit that. If the freight is smaller or larger than the quantity of grain which they are endeavouring to dispose of they might make a premium on the sale of that grain because of not being able to meet the exact requirements, and somebody else might be offering -- for instance, if the sale was for 50,000 bushels then naturally they would want a 50,000-bushel hold. Somebody might have a 60,000-bushel hold. Well, that would not suit him because he would have an extra 10,000 bushels, and if he had to take that he would ask for some discount on the price of the grain. On the other hand, the only freight available might be a 40,000-bushel hold, and the buyer wants a 50,000-bushel hold for some particular reason, so he might ask for some discount or premium, as the case may be, because the amount of the grain and the freight do not match.

Q. In effect, then, is each shipment what you might call "special bin", or on a bigger carrier is it all one grain?

A. No, they carry different grades.

Q. In effect, there are special bins on each ship to segregate them?

A. Yes, they are by holds.

Q. That is what I mean. I think Mr. Evans said that the present rate is 13½¢.

A. That is correct.

Q. How long has that rate obtained?

A. Slightly over a year now.

Q. Without variation? Is that all grades?

A. No, that is on wheat.

Q. On wheat?

A. Yes.

Q. What would the rates on barley and oats be?

A. Approximately 12-3/4¢ on barley, 11½¢ on oats, so far as I am concerned although somebody is taking it for 11¢, as I have said.

Q. Have the rates on coarse grains been as stable as they have been on wheat?

A. No, they have not, because the question of despatch enters into it. With the wheat being more or less a drug on the market, and with ships being tied up for some considerable time in waiting to get unloaded--you can get oats and barley unloaded where you cannot get wheat unloaded, -- the coarse grain cargo is more attractive to

the owner of the ship than wheat is. Even if his earnings might reflect slightly less return, on account of the despatch he will go ahead and take the coarse grains possibly at a lesser return.

Q. When you said the rate was 11½¢ did you mean that that is the rate, or does it fluctuate between 11¢ and 12¢?

A. Oh, yes, it could.

Q. How steady are the ---

A. For instance, last Friday I quoted 12¢ to Montreal on some oats.

Q. Would it be correct to say that the oats and barley rates -- the coarse grain rates -- have fluctuated, and are fluctuating now, from day-to-day?

A. Yes, to some extent.

Q. But the wheat rate has been stable for a year?

A. Yes, just about a year now.

Q. Who fixes the rates that you offer?

A. Our principals.

Q. Your principals?

A. Yes. We canvass the market and ascertain what business is available and what rates are presently being quoted or asked, and we submit that information to our principals, and they can either accept it or reject it, or make a counter-offer.

Q. You recommend a rate to your principals, then, do you?

A. We tell them what the market is. In other words, we will discuss the thing with the shipper or exporter, and find out what he is willing to pay, or what he has in mind, and submit that to our principals, and say: "This is what we can do today ..." for such a shipment for a certain position and a certain quantity, and so on. Then, depending on what other brokers may have been offering for their shipments to that position, they will determine whether they will accept the grain, or go for oil or coal or some other commodity.

Q. You mentioned that you act for several different companies?

A. Yes.

Q. Are they competing lines of shipping, or how do you adjust your shipments amongst them?

A. It is just a question of freight, so far as I am concerned -- the volume and the tonnage, and the size of the tonnage.

Q. It depends on what each of them has available, and what is offering?

A. Yes, that is right. Some have large and small ships, and others have only small ships.

Q. Would you get different quotations from your different principals in relation to the same shipment?

A. Yes, it is quite possible. Yes, because one owner may have in mind at a particular time that he has a ship available for a grain cargo. Just to illustrate that, say, Marathon Paper

Corporation, which has a small ship which is generally engaged in the paper trade, will come in for an occasional grain trip. The paper schedule may allow it to come in, but it has to be back for paper on a certain date. They would be prepared to offer that ship, but they would have to have a guarantee of despatch in order to qualify again on their paper schedules, so they might be willing to accept a lesser rate than one of the other several companies might.

THE CHAIRMAN: Q. A lesser rate for what?

A. I beg your pardon, sir?

Q. For what grain?

A. It would depend on what grain would be available, Mr. Chairman.

Q. I thought a moment ago you said that 13½¢ has been the rate for a year?

A. Yes.

Q. And it has not varied?

A. Yes.

Q. So what you are suggesting could not have happened in the last year in regard to wheat?

A. It could, Mr. Chairman, in this way, because this ship is not qualified to go through to Montreal. You see, he would only be looking for a cargo on the Upper Lakes, or to the Georgian Bay.

Q. Then, are there cases when the wheat has been carried at less than 13½¢ in the last year?

A. Not that I am aware of, Mr. Chairman.

THE CHAIRMAN: I do not quite understand.

MR. MUNDELL: Q. Mr. Evans indicated the three methods by which grain could be shipped to Montreal, one of which included transshipment in the Bay ports, or Port Colborne or Prescott.

A. Yes.

Q. On a through trip from Fort William or Port Arthur to Montreal would you arrange both legs of that -- that is, where there is a transshipment?

A. Oh, yes, if you were to charter grain from Fort William to Montreal it would be at ship's option of rates, either direct or transshipped. That is an understood practice in the trade, where you bring grain from Fort William to Montreal you provide a direct boat, or a boat which will have to transfer, unless, of course, it is mutually agreed between you and the shipper when making the charter that he wants a direct boat, as he often does.

Q. Would the rate differ where there is a transshipment from where there is a direct shipment?

A. No. It has occurred at times, but not recently.

Q. In other words, the fact that there is a transshipment does not affect the rate?

A. Well, yes, it could affect the rate, There have been times where the direct boats which do not transfer will command anywhere from half a cent premium on the other boats.

Q. But for the last year the rate has

been 13½¢ on both methods?

A. Yes, so far as I am concerned. I have not chartered anything less than that -- put it that way.

Q. Who bears the cost of transshipment?

A. That is borne by the ship.

Q. By the ship?

A. Yes.

Q. Which ship -- the unloading ship, or the loading ship?

A. The unloading ship. In the case of a transshipment the Upper-laker will bear the cost of loading at the port and unloading at the transfer point, and the canallers will bear the cost of loading at the transfer point and unloading at the St.Lawrence port.

Q. Would you have any idea what the cost of transshipment would be on a normal-sized cargo? Give it as a proportion of the rate.

A. As a proportion of the rate?

Q. Or in cents?

A. Well, presently it would cost you about a cent and a quarter a bushel.

Q. On what do you base that?

A. That is your unloading costs at, say, Port Colborne or Prescott which are fixed by Government tariff, and your unloading costs at Montreal, which are also fixed by Goverment tariff, and the total of those is about a cent and a quarter a bushel.

Q. That would be all the cost to the two vessels?

A. Yes, on the grain handling.

Q. That is a firm figure? I want to know whether it is ---

A. It is established by Government tariff. I have not got the exact figures, but it is about $1\frac{1}{4}$¢ a bushel.

Q. I just want to get this clear, if I may: If it goes direct the shipowner pockets that $1\frac{1}{4}$¢?

A. No, he would be relieved of the transfer charge -- the loading and unloading charges at the transfer point. He would be relieved of that, but he would still have to pay for his loading at Fort William, and for his unloading at destination.

MR. MUNDELL: Yes. I think that is all I have to ask, Mr. Chairman.

THE CHAIRMAN: Thank you very much.

MR. GERIN-LAJOIE: Mr. Chairman, the next submission will be on behalf of the Manitoba Federation of Agriculture and Co-Operation, and Mr. Robert E. Moffat appears as counsel for the Federation.

THE CHAIRMAN: Firstly, we should mark this brief as an exhibit. It will be Exhibit 70.

---EXHIBIT NO. 70: Brief of Manitoba Federation of Agriculture and Co-Operation, dated August, 1955.

THE CHAIRMAN: Yes, Mr. Moffat?

SUBMISSION OF MANITOBA FEDERATION OF AGRICULTURE AND CO-OPERATION

Mr. Robert E. Moffat, appearing.

MR. MOFFAT: Mr. Chairman, as I mentioned at the time of the previous hearing in Winnipeg, this statement is not really in the nature of a brief, but it simply contains some points of view which the Federation wishes to present to you, and I would be glad to consider myself as counsel or as a witness -- whichever is the more convenient. It may be advisable to read most of the brief and add in some comments as we go along, or it may be advisable to start with questions. Again, I will do whatever is most convenient. I believe the brief has been in the hands of the Commission since the last hearing here. It strikes me that, possibly, the most satisfactory way would be that I read maybe two or three paragraphs and then comment, and then read some more and comment again.

THE CHAIRMAN: Yes, I think I would prefer that.

MR. MOFFAT: I do want to add in some comments on one or two things that have happened in the course of the hearing.

The Manitoba Federation of Agriculture and Co-operation has asked me to attend your hearing in Winnipeg and express to you its concern that some of the proposals made to you would in effect

9/

remove any benefits which Western Canada might expect to receive from the construction of the St. Lawrence waterway.

The basic attitude of the Federation on the subjects with which you are concerned is simple to state but like most simple statements it is somewhat more difficult to put into effect.

The Federation feels that in principle policies should be adopted which will encourage the greatest possible reduction of export grain rates and of rates for carrying other goods between the Lakehead and Eastern Canada in either direction. The Federation recognizes that it is necessary to take into account the possibility that excess competition may deprive Canada of a steady and reliable source of shipping in these waters but it feels that there is strong evidence that economy and convenience of operation of the large lake freighters will continue to provide sufficient incentive to maintain in the Lakes a substantial volume of that type of shipping.

Now, that point is elaborated somewhat a little later on in the brief.

Canada will be spending many millions of dollars over the next few years to pay the cost of constructing the Seaway. It is true that much of the cost will be borne by the power developments but even if these are fully met, there will be substantial additional costs for the navigation facilities alone. It would be the height of foolishness to pay out those large sums and at the

same time impose restrictions so severe that we fail to secure any return in lowered transportation costs.

And then, the brief, or the submission, deals at some length with the basic transportation problem of Western farmers outlining some of the market arrangements with which they have to deal, and it points out the length of the movement which is involved in the movement of the commodities in which they are interested. I noticed this morning some discussion concerning other competing countries in the shipment of grain, and in the light of that some of this may be of special interest.

Manitoba's farmers have always been vitally concerned with transportation costs. The marketing arrangements for farm products are such that in almost every case the price is that set by competition in the great consuming cities and the Manitoba farmer then receives that price less the cost of getting his product to the market. For this reason Manitoba farmers have always resisted any proposal to raise transportation costs on their products. They are equally opposed to any proposal which would deprive them of a potential saving on transportation costs.

On the other hand most of the main farm supplies are purchased through markets in which the price is set at the point of production and the purchaser then bears the cost of delivery. Farm machinery, automobiles, clothing, furniture and many imported foods are in this category. For this reason Manitoba farmers have always resisted any

proposal to raise transportation costs on their inbound supplies. Again they are equally opposed to any proposal which would deprive them of a potential saving on transportation costs.

The farmer pays the cost both ways, both on the east-bound shipments and on the west-bound shipments. The only comment I want to make is that we are not saying whether it is unfair or fair, but we are recording it as the fact of the marketing mechanism with which we have to deal, and it is something that has to be taken into account in ---

THE CHAIRMAN: Q. Is it true?

A. I think it is basically true.

Q. What about farm machinery? Do you mean to say that the Ontario manufacturer of farm machinery can set his price without any regard to what the cost of transporting it to Manitoba or Saskatchewan is? He will not sell it if he does that.

A. Except this, that the Ontario manufacturer, even in farm machinery, is interested in a market of which the Western market is a relatively small part.

Q. Where is the rest of it?

A. Overseas markets are some of it; American markets are some of it.

Q. Those are cases where there is more distance.

A. There is more distance, but the price at which he sells is set by the relative volume of

the goods that he can sell, and if there is a change in the transportation cost, say, between Hamilton and Winnipeg that is directly reflected in the laid-down price in Winnipeg. I do not think there is any question that if there is a change in the transportation cost it reflects right into his price because the factory price is determined primarily by his cost of production and by what he can get for his product in the American market or overseas.

Q. But if he finds that increased prices due to increased transportation costs to Western Canada are resulting in his not selling then his price will be reduced, or ---

A. I do not think that has been the history of it. We have not ---

Q. If he is interested in keeping his business alive ---

A. I think the history of it seems to be that if he cannot sell at the price he closes down his plant and lays off some of his staff. That is what happened the last time there was any serious shrinkage in the Western market of farm machinery. It resulted in unemployment in the Eastern cities.

Q. Yes, but it was pretty well full for a while, and they had to wait until a few machines wore out.

A. Yes, but I think that that would happen if the Western market did not react and absorb what was available. I am convinced that

basically this is the situation, and if there is a difference of three or four cents in the price of transportation in getting the farm machinery out here then it is just added on. In fact, the price lists are made up f.o.b. Hamilton or Brantford or Toronto.

Q. Yes, there are different price lists. The implement manufacturer is dealing elsewhere than in Canada. He faces English competition. German manufacturers are sitting up day and night now working out ways of cutting corners and of cutting costs, and the implement manufacturer realizes that. They might not get them in here because of tariff barriers, but he meets them in the other markets, so that he cannot say: "If I can't sell in Saskatchewan I can sell in the Argentine, or somewhere else."

A. That is true enough in relation to the price at which he is going to sell his goods in Germany, or anywhere else.

Q. They can always be in the position of having their costs and their sale prices dictated to them. Whether you are a vendor of wheat in Manitoba or a vendor of farm implements in Ontario you have always to consider and match both elements. I might be a manufacturer of farm implements in Ontario and come before this Commission and say: "I am in a terrible condition. All my markets are so far away, and I cannot sell any farm implements in Ontario. There are not enough farms left in the Province, and I have sold them all I can. I have to send all my farm implements out to Manitoba or

Saskatchewan."

A. That may be true, but still the fact remains that the price at which it is going to be sold in Western Canada is going to be determined -- I will put in the word "almost" -- almost entirely by the price at the factory plus the transportation costs. If the transportation costs go up the laid-down price goes up, and if the transportation costs go down then the laid-down price goes down.

Q. In the short run, I agree with you.

A. Yes, in the long run you have more consideration, but the history of the thing has not been good from the point of view of the argument that you can get the difference in transportation costs reflected to the benefit of the consumer. Now, it comes close to it in farm machinery where farm machinery becomes a very big -- the Western sales of farm machinery are a large part of the total, but the larger the share that the West buys out of the total output the more clear-cut it becomes that the laid-down price out here is the Eastern price plus transportation. Automobiles, I think, more than farm machinery, and cotton textiles, and that sort of thing, more than automobiles, indicate that this sort of thing is true.

The importance of these marketing arrangements is magnified when it is realized that Manitoba is located well over 1,000 miles from its main markets and its main sources of supply. From Winnipeg to Toronto is approximately 1,250 miles by

railway and this is the shortest distance to any major Eastern city.

All our major outbound shipments are, therefore, moved at least that distance. Our grain goes to Fort William and Port Arthur and from there it goes largely by water to Eastern Canada for consumption or to the Atlantic ports for export. On these items we are directly concerned with the rates for Lake carriers and with handling charges for transshipments at the lower Lake and St. Lawrence ports. Our meats and dairy products go by rail or truck to Eastern Canada and on these items we are concerned that water shipment rates should be available as a potential competitive factor even if in practice very little movement by water is likely to occur.

The importance of shipments to Eastern Canada on these items is indicated by the following data taken from a sample survey made by the Board of Transport Commissioners covering rail shipments occurring on selected days in 1953. From that survey the following figures were obtained with respect to rail shipments originating in Manitoba for Canadian destinations. The figures represent the average day during the test period.

Shipments originating in Manitoba for Canadian destinations.

Commodity	Total Freight Charges	Shipments to Ontario & East	
		Freight Charges	Average Distance
Farm Products other than grain	25,859	20,403	1,251

Commodity	Total Freight Charges	Shipments to Ontario & East Freight Charges	Average Distance
Minerals	9,286	4,398	1,556
Grain	19,155	18,770	587
Other Commodities	29,801	5,635	661
Total	84,101	49,206	736
Traffic destined east of Sault Ste. Marie		29,519	1,445

The point to be made is that of the total freight charges paid by Manitoba on shipments originating here well over half goes for shipments into Ontario, or the East. The total per day is $84,000, $49,000 of which represents shipments East, and it will be noted in that that the grain item is carried only as the rail haul part of grain. This is only the billing of grain from Western Canada to the Lakehead. If the shipment beyond the Lakehead was added in it would greatly increase the proportion of our total rail traffic here which is taken up with this through traffic to Eastern Canada. The distances are quite remarkable. They are 1,251 miles for farm products other than grain; 1,556 miles is the average distance our mineral products are shipped; grain appears as only 587 miles because that is only the first leg of the movement, namely, from Manitoba originating points to the Lakehead.

It should be remembered that the grain movement by rail is largely moved to the Lakehead. Consequently, the above figures reflecting only the rail traffic do not tell the whole story of

transportation costs on those items. The figures for the other commodities make it abundantly clear that the long haul east-bound traffic past the Lakes is a predominant part of all shipments originating in Manitoba.

Perhaps I could just break in there to comment on the other grain producing countries as was mentioned this morning. It is true that the total mileage from the grain growing area to Liverpool is very great, as it is in every other case from Australia, the Argentine, and so on, but there is a sharp distinction between the land mileage and the ocean mileage that is involved. The Australian wheat growing areas are fairly close to the coast. They are served by ports located in each province around the south shore of Australia, so that the land haul is relatively short to the point where it is put on to the ocean carriers, and you will get a different cost picture entirely.

Q. What cost picture are you in?

A. You are into a cost picture which is determined by world competition factors.

Q. According to Professor MacDougall it is a cost picture which is higher than that of the Lake freighters.

A. It may be higher than the Lake freighters' cost, but not higher than the rail cost when we are involved in a long rail haul. One of the important points is that it is a cost which is related to world economic conditions in somewhat the

same way as the price of grain is related to world economic conditions, and consequently you do not run the risk of having a fixed transportation cost when the price of grain is down, and that is quite different from what we have had here in the past.

Q. Well, why? These freighters carry grain down the Lakes, and until lately unless they got the grain to carry down the Lakes they went empty, or just tied up at Kingston and Midland as I have seen them on thousands of occasions. Therefore, is not their rate directly related to the world grain situation?

A. But in Canada you have associated with it a much longer rail haul element, and that has been an inflexible one.

Q. That is one of the few things that are on the shoulders of this Commission.

A. Yes.

COMMISSIONER BELANGER: Q. Have you a cost figure, say, from Winnipeg to Liverpool, and from, let us say, a port in the Argentine to ---

A. No, I have not. The only point I want to make is that one is much more related to the general business activity of the world in the world market, which is the controlling factor in the price of wheat, whereas the Canadian situation is much more inflexible in the transport element over a much longer part of the total haul.

With respect to shipments terminating in Manitoba the proportion of the movement from beyond

the Lakes is almost equally great. The two great exceptions are coal and lumber where our supplies come almost exclusively from the West. The corresponding figures on inbound shipments are:

Shipments Terminating in Manitoba from Canadian Origins.

		Shipments from Ontario & East	
Commodity	Freight Charges	Freight Charges	Average Distance
Farm Machinery	$ 2,069	$ 2,069	1,382
Automobiles & Trucks	6,326	6,326	1,339
Other Manufacturers	57,592	42,318	1,194
Coal & Coke	13,022	201	589
Forest Products	8,886	525	358
Other Commodities	26,354	3,537	1,137
Total	114,249	54,976	1,150
Traffic originating East of Sault Ste. Marie		51,647	1,310

This table, again, shows that the traffic which concerns Manitoba is to the extent of approximately one-half the traffic from east of the Lakes. Now, I should emphasize that the traffic here includes within the Western group the Manitoba traffic, so that our traffic from Eastern Canada east of the Lakes is as great as our local traffic plus all our other traffic further West. These figures are in dollar charges which is what the public pays, and you will get a different picture if you take tonnages, but these are dollar figures on what the

shipper pays, or what the consumer pays if it is passed on to him.

It is clear from the above figures that traffic to and from beyond the Great Lakes is of major importance to Manitoba.

These points are not new. Indeed they have been long recognized and they have formed the basis of the stand taken by representatives of Manitoba from the earliest days after the province was settled. These points are, however, of such fundamental importance that they merit re-statement before each new Commission begins to consider transportation in relation to Manitoba and its agricultural development.

In the light of these facts it is relatively easy to see why the spokesmen for Manitoba Agriculture have always favoured in principle the lowest possible rates for shipments to and from Eastern Canada and beyond. Indeed settlers in large numbers were unable to come into this region until they had a guarantee of relatively cheap transport as a result of the building of the railway. Under modern conditions the same outlook prevails and the basic position is to favour lower transport costs if at all possible. The only qualification to that position is the reservation that account should be taken of the possibility that excess competition may deprive Canada of a steady and reliable source of shipping in the Lakes. With present-day rail and truck facilities one can scarcely anticipate any major upset to Western Canada if water

carriers should withdraw from traffic of the types which can be moved by land facilities -- we should, maybe, add in there "can economically be moved by land facilities"; it is not just the physical movement, it is something that is economically reasonable. The point is that one can scarcely anticipate any major upset to Western Canada if the water carriers were to drop out from traffic of that type; or, to re-state that in a broader form, the water carrier element as an element in the physical movement is not of major importance to us except in grain.

In other words, it is frankly admitted that in traffic other than grain the interest of Manitoba agriculture is to encourage competition real or potential between water and land carriers rather than to depend to any great extent upon water carriers.

In the case of grain shipments the use of water carriers is much more important, but on the other hand, these are largely specialized bulk cargo units which have substantial operating and handling advantages over ocean carriers under Lake conditions. The Federation is, therefore, confident that there is little danger that carriers of this type will be driven out of business by any foreign or Commonwealth shipping which might come into competition with them. On the other hand, it does feel that the possibility of such competition will be an important factor in preventing any unreasonably high level of rates for the carriage of bulk goods.

For these reasons the Manitoba Federation

of Agriculture and Co-operation opposes any suggestion that further restrictions should be placed on the coasting trade of Canada particularly that part of it which relates to movements to and from the ports of Fort William and Port Arthur. Indeed it goes further and supports the position taken by the Manitoba Government that serious consideration should be given to the possibility of further opening the coast trade to vessels of all friendly nations.

THE CHAIRMAN: Q. Would you let them bring in New Zealand butter?

A. I think the only answer that you can give to that one -- and I must say that that is the kind of question which one has to anticipate in these things -- I think the only answer is that in principle you should do that if we are dealing here with an economy which is based on a world price for grain, as we are; that in principle as many of the cost elements as possible should also be related in some way or other to a world price. Now, I know that there are very serious political difficulties in it, and on behalf of my clients here I have to say that their position is: No, they would not want the butter, but I think in principle, and within the organization, there is a strong point of view the other way, and I think that goes not only for butter but for all the elements which have to come into the country either for production items or for living items.

Q. For automobiles, too?

A. Yes, automobiles, and all the rest.

THE CHAIRMAN: Just a moment, Mr. Lajoie. I think we will recess for ten minutes.

---A short recess.

---Upon resuming at 3:45 p.m.

THE CHAIRMAN: Prodeed, Mr. Lajoie, please.

MR. GERIN-LAJOIE: Q. Mr. Moffat, I have only a few questions. Firstly, could you tell the Commission what the Manitoba Federation of Agriculture and Co-operation is?

A. It is as the name says a federation of two basic groups; the Board consists of approximately half of each group. One group is elected by direct farmer delegates at a district convention. That represents approximately one half of the Board. The other half of the Board are appointed by business operating co-operatives, the Manitoba Pool Elevators appoints one, the Manitoba Dairy and Poultry Pool appoints one, the Manitoba Section of the Co-operative Wholesale appoints one and so on. I could not give you off hand the exact number.

Approximately 45,000 families, farm families are represented in one form or another through the various groups of our membership.

I think in view of the fact that you have had the Manitoba Farm Union brief it should be made clear that the two groups overlap very extensively. There are quite a few people who are members of both.

Q. What would be the difference in purpose between the two?

A. I think you should ask Mr. Schulz that one. I would just as soon not comment on t

that, on the difference in that regard. They do over_lap.

Q. The purpose would be more or less similar?

A. Well, yes. Some of these -- it is like in any one of these organizations. Some elements run towards a little more radical point of view and some to little more cautious points of view on different points but the membership overlaps quite extensively in Manitoba.

Q. If I may refer to the first page of the written submission. You mention in the proposals which have been made to this Commission or elsewhere to the effect that any benefits which Western Canada might expect to receive from the construction of the St. Lawrence Waterway would be removed?

A. Well, what we had in mind there is proposals that have been made to restrict the bringing in of additional vessels by changing the established laws, particularly any suggestion that has been made in some of the briefs to limit it to Canadian registered vessels only.

Q. I do not know if I understand correctly what you mean. When you say restricting any vessels, does that mean all or a number of them?

A. It means a number of them, some of them.

Q. Have you got any idea of the extent

to which the benefits of the St. Lawrence Waterway may be removed by such a change in Canadian legislation?

A. Well, the main consideration, as pointed out in the brief, is in relation to the grain movement and the thought is that if there is restriction there which will prohibit the possibility of Commonwealth carriers from getting into that service, then it will leave the existing lake carriers' fleet in pretty much the same position that they were in the absence of the Seaway and I do not think there is any suggestion that they would not reduce their rates but the suggestion is that probably they probably would not reduce their rates as much under these circumstances as they would if there was a possibility of Commonwealth or foreign shipping coming into the Lake; even if they did not come in large numbers, the mere possibility that they could come in would help to, shall we say, encourage rate reduction.

Q. Now then, you say there are two reasons why the rates would not be so low if we were to have reservation of the coasting trade to Canadian built and Canadian registered ships. One would be what some groups have referred to as the lack of competition. The other one would be the higher cost, the higher actual cost to the ship owners because they would have to have their ships built in Canada for instance. Do you

refer to both these instances?

A. Yes, both or either of them. Either one or the other would have that effect. It would have that effect to a greater extent.

Q. I would like to consider them separately, if you will. First of all, regarding the lack of competition which might follow a change in the Canadian legislation, would you explain to what extent this what I am calling, if you don't mind, the so-called lack of competition would affect the situation. Maybe you can compare it with the present situation.

A. Well, it seems that the lack of competition in that sense might exist in fact but the threat of competition would still be there and would consequently have a fairly significant effect more or less as a ceiling on the rate level. The lack of competition will in fact probably be controlled more by such things as the advantages of that particular type of lake carrier and so on rather than by legislation but the elimination of potential competition depends entirely on what is done with the legislation. Is that the point you want me to discuss?

Q. The point I wonder if you could make clear is that we are asking whether you think that there should be more competition than there is at present in the Great Lakes?

A. Well, we would like to see as much

competition as we can get, yes.

Q. I am asking do you think there should be more competition than at present? Do you mean that the rates may be lower than they are at present?

A. Now, that is a different question.

Q. Of course, I would like to have you clarify my information?

A. Yes, we have tried to have more competition. We are always sure there should be more competition. We think that would have an effect on the rates. That is the effect of it. I have not evidence---.

THE CHAIRMAN: Q. Even if the competition was so cut-throat they kill themselves and therefore remove the competition.

A. I think the position is that we would prefer to take that risk rather than take the reverse risk that there would not be enough competition because we do not see any real danger of it becoming so cut-throat as to undercut the large lake carrier fleet which has the bulk of the grain traffic. We would sooner take that risk that there would be too much---.

Q. If there is no restriction when the Seaway is here would there be any real risk of a cut-throat type of competition?

A. Well, no. I think I have to repeat what I said before. We do not think that the risk of competition so intense as to

drive out the larger lake carriers is very great. We would prefer to take that risk rather than take the alternative.

Q. The shipping companies are not nearly as certain as you are. They seem to think that the reverse would ruin their fleet. Do you think that is just an attempt to influence us?

A. I am quite sure Royal Commissions have had extreme statements presented to them before. There are both sides.

Q. I am not speaking of a statement. I am speaking of the dearth of ships in construction. Do you think they have refrained from getting ships which they undoubtedly need because they wish to influence us or because they are afraid of foreign competition?

A. I am not sure of the facts but if it is true that they have refrained from laying down new tonnage, it is possible they are simply waiting to see what will happen after ---.

Q. There is none right now?

A. If that is the fact, then it is quite reasonable. If I were the manager of one of these companies I would probably wait to see what you were going to do before I tied several million dollars up. That does not mean that I would not do something as soon as I found out what you were going to do. I think there is a practice, a certain amount of stopping commitments. That has to be a policy decision just

for the sake of taking it cautiously.

Q. This Commission was only appointed in March. It takes about six months before the keel is laid so that the fact there is nothing right now reflects a policy decision of the companies not to have a new ship built in October, 1954?

A. Yes, but I suppose it is not only your Commission. It is the construction of the Seaway. In other words, it is the total unsettlement of lake shipping and the sooner that can be crystalized one way or the other the sooner we will get on with the business of getting our supply of shipping.

MR. GERIN-LAJOIE: Q. Now, Mr. Moffat, you say that you do not see any great risk of any larger competition among the ship operators in the Great Lakes after the Seaway construction but do you see any danger of a lack of competition if the coasting trade were restricted to Canadian built vessels?

A. Well, I believe I agreed I did not see any danger of cut-throat -- I avoided the word "cut-throat" competition.

Q. So you did not avoid it?

A. It is a word that I do not know what it means exactly. What I---

Q. To the extent of putting someone out of business?

A. Well, I would not worry about the

competition to the extent of putting someone out of business as long as it does not put everybody out of business. I do not think there is any evidence that there is any likelihood of competition driving enough shipping out of the Lakes to deprive us of a regular supply of ships.

Q. May I ask you if you think that there is anydanger of a lack of competition if we were not to have the coasting trade reserved to Canadian built and registered vessels?

A. Well, yes, to all intents there is lack of competition because there is not even a potential supply of shipping coming in if the need is there or if the Canadian operators decide, in their wisdom, to ask for rates which are higher than what others are prepared to move in at. I would say if the competition between the Canadian owners of Canadian built and Canadian registered vessels does not serve the same purpose -- we feel it is probable that the competition between the Canadian operators will keep the rates down to where there will be very little foreign shipping coming in. If this happens then they do not need the protection of legislation. If that does not happen then there will be harm to us by having legislation to restrict foreign shipping.

Q. Of course, the problem ---

A. So either way we say it is harmful.

Q. Of course, the problem is very com-

plicated also by this. Have you considered the possibility of non-Canadian competition? I do not agree with whatyou say because the cost of building a ship in Britain is lower than the cost of building a ship in Canada. If we are to leave this factor aside for the moment becuase not considering only the competition aspect but the cost of operation differences, that will leave us a higher cost of building a ship in Canada and of operating a ship with Canadian seamen. What additional use would non-Canadian competition bring you?

A. Well, I only repeat there would be two uses. One that it would be available to the grain trade if the Canadian carriers put their rates away out of line with the world shipping rates.

Q. You mean additional operators or additional shipping companies would be -- it is only a question of rates, instead of 23 competitors you would have 28 or 35. That would be the only effect of the proposal you have in mind?

A. Yes, but the difference between 23 and 35 may be the difference between enough and it may only take three or four more carriers to put you from a shortage of shipping to a surplus of shipping so the difference of only two or three carriers may be just the difference that we need to change the situation.

Q. When we consider the other aspect, that is the cost aspect of the ship operator, that is the additional cost of having a ship built in Canada, if we were to have restriction as proposed by a number of groups of persons, and also the additional cost of having the ships operated by Canadian seamen, if there is any difference in price as there is in certain cases -- well, regarding this aspect may I go further back and start from here. The Seaway will benefit the Western Farmer. That is one of the purposes, to have a lower cost for his grain and for bringing in goods from the Eastern Manufacturers, I suppose?

A. Yes, that is right. That is one of the purposes, yes.

Q. If this development of the St. Lawrence Seaway is to benefit the Western Farmer, for instance, do you think this benefiting should go to the extent of impairing the legitimate interests of shipping and the shipbuilding industries in other parts of the country or should not the benefits be spread?

A. You have got an adjective in there. If you take the definition of "legitimate" to mean an industry which can produce ships or establish services in line with world charges for that service then I would say that kind of industry should be encouraged to keep on but if you take the other definition of "legitimate" to mean anything that is there now, I think you

cannot say you have to protect every little shipyard that happens to be in existence.

Q. Let us say that we shall consider the case of a shipyard in the Great Lakes which happened to be there before the Seaway is constructed. That was certainly a legitimate business at that time and it is today before the Seaway is deepened. Well, that is what I would call a legitimate business. They have more or less vested rights which can be taken away from them, it does not matter, but do you think that the advantages going tothe Western farmers should go as far as damaging the interests of the shipyard and ship owners?

A. If a fellow has a little brickyard out in some area near a city and supplies a local market and a railway line goes up so it becomes harder to bring bricks in from the city, he has to lay off because he is not able to compete any more and I think he has to go. I do not think you can interfere with the traffic of that kind of tranportation simply to protect the brickyard, and if it happens to be a shipyard, the same principle applies. You cannot interfere with the development of an important transporting facility for the whole county in order to protect every small industry that gets itself established under conditions that existed when there was no such improved transportation.

If it comes to where a very large industry

is involved then it becomes a different question. We are talking about our larger individual put into that category and your smaller individual put in the other category.

Q. If we take it for granted that the industries concerned are fairly large and that they serve certain defence purposes, do you not think -- it is only a question -- that the benefits of the St. Lawrence Waterway to the Western farmer could be diminished very slightly to preserve these interests, private and national, as far as defence is concerned.

It is only a question, of course, of a smaller gain for the Western farmer. It is not a question of depriving the Western farmer -- I am talking about this particular case, of course, because the Seaway will benefit many people. It is not a question of depriving the Western farmer of all the benefits of the Seaway?

A. The principle remains, however, that Western agriculture is an industry that from its very nature has to go to the world market and sell its products on the world markets. It cannot afford to take any other position, I don't think, except to say that the costs of goods and services which it produces are also competing -- forced to meet the competition of world trade wherever it is available to be used by the Western agricultural industry. I do not think in truth he can take any other position because---.

Q. In practice?

A. In practice. We can say whatever we like but we still have to sell our product on one world market and as long as we sell on one world market then we have got to buy on the world markets.

Q. Of course, but I suppose the Western farmers are selling their products now, maybe not to the extent they would like to, but they are selling and they are going to be in a better position when the Seaway is deepened. My question is should this be done in a way that would interfere with private interests of ship owners and shipbuilders and also as far as defence is concerned?

A. Well, in as far as the private industries are concerned unless -- I say "convinced" unless the Western farmers are convinced that the interests are very large and they are a major part of the Canadian economy then the answer I think is "No", that there should be no protection. As far as defence---

Q. If they are "very large" but this is the other side of the picture you are giving?

A. Well, if they are very large I think something ought to be done to help them. It should be a question of national policy and if the nation has to do something, let the nation do it and do not charge it up to the Western farmer.

Q. So it is definitely your view that

the two interests cannot be reconciled in a way that would make them both benefit from the Seaway.

A. Well, we both benefit in the sense that the general growth of the country and the improvement of transportation will improve the position of the individuals who are now engaged in the shipbuilding yards. It is one thing to have improvements for individuals who are larger. It is another thing to have them for a particular occupation or individual. We cannot run the country and protect everything in a particular spot. You have some drop out, let others move in.

Q. Of course, it is not only a question of the owner or shareholders of the companies. It is a question of the whole industry. That takes in the industry and the whole of the vicinity?

A. Yes.

Q. Looking at that industry I am wondering if you think that it is impossible to reconcile both interests, that the whole benefits of the Seaway, every cent or fraction of a cent of lower costs, should go to the Western farmer and, I do not wish to limit it to the Western farmer, I mean on to the consumer as opposed to the shipyards and ship owners?

A. I am just looking at my notes of the figure as to how big this industry is. It strikes me it was remarkably small when I saw the figures before.

THE CHAIRMAN: Q. It is not an awfully big industry from the point of view of capital investment. You would be surprised how big it looks when you try to ship products down into Fort William or want to have your grain brought down to the Coast?

A. If it is a repair proposition you bring in some more foreign ships, letting them in to get business from the ship repair end---.

Q. The best information we have been able to receive is that it is impossible to maintain the Great Lakes shipyards on the repair business relying on the repair business that comes down because the repair business now at Midland is closed?

A. On that point, you still have the question of whether it is something that is temporary or permanent.

Q. Therefore I would like to hear more from you. You say the Western farmer must be shown this and that. I say to you that you should show this Commission that the Canadian grain boat is so efficient that notwithstanding a 50 per cent differential in construction costs and about a 60 per cent differential in wage costs it will successfully compete with the English boat. You maintain it could but those are the facts upon which it must compete?

A. Except the points which were made very strongly by Dr. Mayer that if the English

boats come into operation in that area it would not be long before this wage differential will disappear.

Q. On the other hand there has been a boat, on the evidence, that runs from New York to Bermuda which ran for years on English ship wages right in the United States general area.

A. That may be true but it is something -- one illustration. It is not an operation in a landlocked area here with both ends of the shipping ---

Q. You can fly over it in an aeroplane overnight. It has been done.

We have had a great deal of conjecture judgment as to the comparative efficiency of operation of the Canadian lake freighter, the U. K. tramp steamer and the U. K. constructed lake type vessel. We have never had any evidence because we have never seen any statistics quoted except that which appears in the brief of the Dominion Marine Association as to the cost of operation and there it is quoted as $543. for a British tramp steamer as against $851. for a Canadian laker. That is a considerable handicap to get over before you deal with the construction costs?

A. If that is the situation and if you cannot get convincing evidence that will make your mind up one way or the other then you have to use judgment and you have to either take a

chance on leaning towards encouraging competition or leaning towards restriction.

Q. We have some evidence. We have the evidence of one ship operator after the other and one ship builder after the other who has said without any exception we cannot compete with the U. K. carriers or we cannot construct in competition with the U. K. carriers?

A. Well, if that is so, if the Canadian shipping industry is that much more expensive than the rest of the world then I think the answer from our group is we take the world and take our chances with the world service because we have to sell on world markets. I think that is the answer you get from our group.

COMMISSIONER WICKWIRE: Q. Mr. Moffat, I wonder if you would see any danger that after the Seaway is deepened, ocean ships operating in the international trade might come within the Great Lakes for coasting trade for short periods, let us say, during the slack period of ocean shipping and compete at very low prices or very low rates with the Canadian ship owners and ship operators to the extent of putting them out of business or putting some of them out of business?

A. The only circumstance where that is likely to happen to any serious extent is one where the world business activity is at

a fairly low level so there is surplus shipping. If that is so, there likely also would be a surplus of agricultural products, so that is the particular circumstances where we are particularly interested in getting the best rates we can because when there is a surplus of world commodities generally, a surplus of wheat, the low price of wheat, that is the particular time when it is most important to cut transport costs or any other costs.

Q. If you have lower costs of transportation in that fashion, is there not any danger that the regular Canadian ship operators might be put out of business and when the ocean tramps, if I may say so, go back on the ocean trade, there will not be any more ships in the Great Lakes?

A. That is right. There is a danger as the Chairman says. You cannot judge how great the danger is. You cannot protect against all the possibilities. You cannot protect against all the dangers but there are some dangers that are more important to protect against than others and that is the one that I think our group is prepared to take a chance with.

MR. GERIN-LAJOIE: Q. The last point upon which I would like to ask for some clarification, if possible, is the last part of your statement that you support the position taken by the Manitoba Government that serious consideration should be given to the possibility of further opening the coast trade to vessels of all friendly

nations.

Have you or has your group given any consideration to this suggestion or not?

A. Well, we have given consideration to it to the extent of saying in principal we favour the allowing of shipping in but because of the very reasons we have been just talking about, this matter may want slight protection to the Canadian trade without depriving us of the main source of world shipping, namely British ships. If these were available then we have protection of a type which operates pretty much on world prices and therefore we are satisfied to operate that way and it has a further advantage that it would not involve any change in the existing regulations so that this last paragraph is really a statement that we favour leaving things alone but if we have to change it we think probably that is the way we should go to make the change rather than this way.

Q. I understand you have not studied this aspect very thoroughly?

A. That is right.

Q. You do not suggest that there should be another Commission appointed to study this problem, do you?

A. No. I think it is clear that the Commonwealth shipping is a big enough proportion of the world's shipping. That is the main thing we are interested in in the way of competition.

MR. GERIN-LAJOIE: Mr. Chairman, that closes my examination.

Maybe you would like me, Mr. Chairman, to repeat in concluding this Winnipeg Session that counsel always appear to take the opposition side to the witnesses but if our Winnipeg friends had been with us in Vancouver orHalifax, they would have seen that same thing. We take the different points of view.

THE CHAIRMAN: That is not confined to counsel. Thank you very much. Before we adjourn, we have received a brief from the Alberta Federation of Agriculture and they were to appear, if possible, today. The brief should, I think, be marked as an exhibit.

4c MR. GERIN-LAJOIE: I wonder if this brief has not been numbered previously. Perhaps out Secretary could check this in the minutes of yesterday morning and tell us.

THE CHAIRMAN: Saskatchewan Farmer Union, 66; Saskatchewan Wheat Pool, Exhibit 67.

MR. WRIGHT: It is Exhibit 64.

THE CHAIRMAN: Yes, Exhibit 64, thank you.

This closes our hearings in Winnipeg. I think we should not close without thanking all those who have contributed so much to our task by the preparing and presenting of such carefully worked out briefs.

I assure you that all those who have been

sitting here and listening will be given the best consideration of which we are capable.

MR. WRIGHT: Mr. Chairman, may I file a list of errata? I think it was decided they should be filed as an exhibit.

MR. MUNDELL: What we did the last time, Mr. Chairman, I know we did it with Mr. Fisher, was to read it into the record, take it as read.

THE CHAIRMAN: I do not think it should be marked as an exhibit. It will only clutter up the exhibits. You will hand it to the Reporter; it can go into the record as read and be shown in a cross-index.

---The hearing adjourned at 4:25 p.m.

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